Independent Accountant’s Report on the Examination of Disproportionate Share Hospital Verifications

State of Oklahoma
Department of Health Care Authority
Oklahoma City, Oklahoma

DSH Year Ended September 30, 2014

Prepared By:

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Accountant’s Report
and
Report on DSH Verifications
Independent Accountant’s Report

We have examined the state of Oklahoma’s compliance with Disproportionate Share Hospitals (DSH) payment requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ended September 30, 2014. The state of Oklahoma is responsible for compliance with federal Medicaid DSH program requirements. Our responsibility is to express an opinion on the state of Oklahoma’s compliance with federal Medicaid DSH program requirements based on our examination.

We conducted our examination in accordance with 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, as well as General DSH Audit and Reporting Protocol as required by 42 CFR §455.301 and §455.304(d). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the state of Oklahoma complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the state of Oklahoma complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination of the state of Oklahoma’s compliance with federal Medicaid DSH requirements.

Our examination was conducted for the purpose of forming an opinion on the state of Oklahoma’s compliance with federal Medicaid DSH program requirements included in the Report on DSH Verifications. The Schedule of Annual Reporting Requirements provided in accordance with 42 CFR §447.299 is presented for purposes of additional analysis and is not a required part of the Report on DSH Verifications. Such information has not been subjected to the procedures applied in the examination of the Report on DSH Verifications, and accordingly, we express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2017, on our consideration of the state of Oklahoma’s internal control over the DSH program for the period ended September 30, 2014, as it relates to the six DSH verifications set forth in 42 CFR §455.301 and §455.304(d). The purpose of the report is to describe the scope of our testing of internal control and the results of testing, and not to provide an opinion on internal control. That report is an integral part of an examination performed in accordance with Government Auditing Standards and should be considered in assessing the results of our examination.

In our opinion, except for the effect of the items described in the Schedule of Findings Relating to the DSH Verifications, the Report on DSH Verifications presents fairly, in all material respects, the state of Oklahoma’s compliance with federal Medicaid DSH program requirements addressed by the DSH verifications for the year ending September 30, 2014.
This report is intended solely for the information and use of the Oklahoma Health Care Authority (OHCA), the State Legislature, hospitals participating in the State DSH program and the Centers for Medicare and Medicaid Services (CMS) as required under 42 CFR §455.304 and is not intended to be, and should not be, used by anyone other than these specified parties and for the specified purpose contained in 42 CFR §455.304.

*Myers and Stauffer LC*

Myers and Stauffer LC  
December 13, 2017
As required by 42 CFR §455.304(d) the state of Oklahoma must provide an annual independent certified examination report verifying the following items with respect to its disproportionate share hospital (DSH) program.

Verification 1: Each hospital that qualifies for a DSH payment in the State was allowed to retain that payment so that the payment is available to offset its uncompensated care costs for furnishing inpatient hospital and outpatient hospital services during the Medicaid State plan rate year to Medicaid eligible individuals and individuals with no source of third party coverage for the services in order to reflect the total amount of claimed DSH expenditures.

Findings: Our examination identified that four hospitals did not certify that they were allowed to retain the DSH payment made by the State during the 2014 DSH year.

Verification 2: The DSH payments made in the Medicaid State plan rate year must be measured against the actual uncompensated care cost in that same Medicaid State plan rate year. The actual uncompensated care costs for the Medicaid State plan rate year have been calculated and compared to the DSH payments made. Uncompensated care costs for the Medicaid State plan rate year were calculated in accordance with Federal Register/Vol. 73, No. 245, December 19, 2008, Federal Register/Vol. 79, No. 232, December 3, 2014, and Federal Register/Vol. 82, No. 62, April 3, 2017.

Findings: Our examination identified that seven hospitals exceeded their hospital-specific DSH payment limit calculated based on the DSH Rule.

Verification 3: Only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services they received as described in Section 1923(g) (1) (A) of the Act are eligible for inclusion in the calculation of the hospital-specific disproportionate share limit payment limit, as described in Section 1923 (g) (1) (A) of the Act.

Findings: The state of Oklahoma is in compliance with Verification 3 as the total uncompensated care costs reflected in the Report on DSH Verifications (table) reflects the uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals and individuals with no third-party coverage for the inpatient and outpatient hospital services received.

Verification 4: For purposes of this hospital-specific limit calculation, any Medicaid payments (including regular Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, and Medicaid managed care organization payments) made to a disproportionate share hospital for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals, which are in excess of the Medicaid incurred costs of such services, are applied against the uncompensated care costs of furnishing inpatient hospital and outpatient hospital services to individuals with no source of third party coverage for such services.
Findings: The state of Oklahoma is in compliance with Verification 4. In calculating the hospital-specific DSH limit represented in the Report on DSH Verifications (table), if a hospital had total Medicaid payments in excess of the calculated Medicaid cost, the excess was used to reduce the total uncompensated care costs.

Verification 5: Any information and records of all of its inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments under this Section; and any payments made on behalf of the uninsured from payment adjustments under this Section have been separately documented and retained by the State.

Findings: Our examination identified that each hospital is responsible for maintaining its own supporting documents and records related to information reported to the OHCA on the annual DSH survey in accordance with the Medicaid State plan (MSP). We found that 4 out of the 50 hospitals that received DSH payments were not able to provide documentation to support inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments under the DSH Rule; and any other payments made on behalf of the uninsured from payment adjustments under the DSH Rule.

Verification 6: The information specified in verification 5 above includes a description of the methodology for calculating each hospital’s payment limit under Section 1923(g) (1) of the Act. Included in the description of the methodology, the audit report must specify how the State defines incurred inpatient hospital 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.

Findings: Our examination identified that the information specified in the 2014 State MSP does not provide a description of the methodology for calculating hospital-specific DSH limits; therefore, it does not comply with the Federal Regulation under Section 1923(g)(1) of the Social Security Act. Even though the State does not provide a description of the methodology for calculating hospital-specific DSH limits, the State does define inpatient hospital and outpatient hospital costs in the Oklahoma Administrative Code. Inpatient services are defined as follows:

a) Covered hospital inpatient services are those medically necessary services which require an inpatient stay ordinarily furnished by a hospital for the care and treatment of inpatients and which are provided under the direction of a physician or dentist in an institution approved under OAC:317:30:5-40.1 (a) or (b). Effective October 1, 2005, claims for inpatient admissions provided on or after October 1st, in acute care or critical access hospitals are reimbursed utilizing a Diagnosis Related Groups (DRG) methodology.

b) Inpatient status. OHCA considers a member an inpatient when the member is admitted to the hospital and is counted in the midnight census. In situations when a member inpatient admission occurs and the member dies, is discharged
following an obstetrical stay, or is transferred to another facility on the day of admission, the member is also considered an inpatient of the hospital.

1) Same day admission: If a member is admitted and dies before the midnight census on the same day of admission, the member is considered an inpatient.

2) Same day admission/discharge C-obstetrical and newborn stays: A hospital stay is considered inpatient stay when a member is admitted and delivers a baby, even when the mother and baby are discharged on the date of admission (i.e., they are not included in the midnight census). This rule applies when the mother and/or newborn are transferred to another hospital.

Outpatient services are defined as follows:

a) Hospitals providing outpatient hospital services are required to meet the same requirements that apply to OHCA contracted, non-hospital providers performing the same services. Outpatient services performed outside the hospital facility are not reimbursed as hospital outpatient services.

b) Covered outpatient hospital services must meet all of the criteria listed in 1) through 4) of this subsection:
   1) The care is directed by a physician or dentist.
   2) The care is medically necessary.
   3) The member is not an inpatient.
   4) The service is provided in an approved hospital facility.

c) Covered outpatient hospital services are those services provided for a member who is not a hospital inpatient. A member in a hospital may be either an inpatient or an outpatient, but not both (see OAC 317:30-5-41).

d) Separate payment is made for prosthetic devices inserted during the course of surgery when the prosthetic devices are not integral to the procedure and are not included in the reimbursement for the procedure itself.

e) Physical, occupational, and speech therapy services are covered when performed in an outpatient hospital based setting. Coverage is limited to one evaluation/re-evaluation visit (unit) per discipline per calendar year and 15 visits (units) per discipline per date of service per calendar year. Claims for these services must include the appropriate revenue code(s).
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This report is intended solely for the information and use of the Oklahoma Health Care Authority, the State Legislature, hospitals participating in the State DSH program, and the Centers for Medicare and Medicaid Services (CMS) as required under 42 CFR §455.304 and is not intended to be, and should not be, used by anyone other than these specified parties and for the specified purpose contained in 42 CFR §455.304.
Finding 1

Criteria:
Section 42 CFR Part 455.304(d)(1) requires that each hospital that qualifies for a DSH payment in the State is allowed to retain that payment so that the payment is available to offset its uncompensated care costs for furnishing inpatient hospital and outpatient hospital services during the MSP rate year to Medicaid-eligible individuals and individuals with no source of third-party coverage for the services in order to reflect the total amount of claimed DSH expenditures.

Condition:
We were unable to determine that 4 of 50 hospitals were able to retain 100 percent of their DSH payment.

Cause:
We found that four hospitals did not submit the documentation requested by Myers and Stauffer LC. As a result, we did not receive certification from the hospital that they were allowed to retain the DSH payment that they received during the 2014 MSP rate year.

Effect:
DSH hospitals that are not allowed to retain the full DSH payment would not be eligible; therefore, the payment would need to recouped by the State.

Recommendation:
We recommend that the Health Care Authority further educate hospitals that apply for and receive DSH payments that the hospital is responsible for completing all documentation and responding to all request for data related to the DSH examination.

Finding 2

Criteria:
Social Security Act Section 1923(g)(1)(A) specifies that DSH payments to a hospital shall not exceed the cost incurred (net of the payments received) during the MSP rate year. Section 42 CFR Part 455.304(d)(2) further clarified that DSH payments made to each qualifying hospital shall comply with the hospital-specific DSH payment limit.

Condition:
We found that 50 in-state hospitals received DSH payments in MSP rate year 2014. We found that 7 of the 50 hospitals received a DSH payment in excess of their hospital-specific DSH payment limits calculated in accordance with the DSH Rule.

Cause:
The State calculation of the hospital DSH payment limits is not in accordance with the DSH Final Rule.
Effect:
Hospitals that receive DSH payments in excess of their hospital specific limits must pay back any DSH funds in excess of that limit.

Recommendation:
We recommend the OHCA revise the hospital DSH payment limit calculation in accordance with the DSH Final Rule.

Finding 3
Criteria:
Section 42 CFR §455.304(d)(5) requires that any information and records of all of its inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital services costs in determining payment adjustments under this Section; and any payments made on behalf of the uninsured from payment adjustments under this Section has been separately documented and retained by the State. The State has conveyed the responsibility for the retention of the documentation to the hospitals under their provider agreements.

Condition:
We found four of 50 hospitals that did not retain and make available to us, during the course of this examination, supporting documentation for inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments under the DSH Rule; and any other payments made on behalf of the uninsured from payment adjustments under the DSH Rule.

Cause:
Despite multiple attempts to obtain the documentation, one hospital did not provide Myers and Stauffer with any documentation supporting hospital service costs and any payments made on behalf of Medicaid patients and uninsured patients. Additionally, one hospital went out of business subsequent to receiving the 2014 DSH payment and two hospitals had a change in ownership.

Effect:
Hospitals that are not able to support uncompensated cost of care (UCC) charges by providing supporting documentation would be subject to having those charges disallowed, thus reducing their hospital specific DSH limits. A reduction in the hospital-specific DSH limit could cause a hospital to receive payments in excess of that limit and any such excess payments would need to be recouped by the State.

Recommendation:
We recommend that the State implement periodic monitoring procedures to ensure disproportionate share hospitals maintain complete and accurate data and records to support all of its uninsured inpatient and outpatient hospital service costs in determining payment adjustments under this Section 42 CFR §455.304(d)(5) and any payments made on behalf of the uninsured from payment adjustments under this Section.
Finding 4

Criteria:
Section 42 CFR Part 455.304(d)(6) requires that the information specified in Verification 5 includes a description of the methodology for calculating each hospital's payment limit under Section 1923(g)(1) of the Social Security Act including how the State defines incurred inpatient hospital 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.

Condition:
The MSP does not provide a description of the methodology for calculating hospital-specific DSH limits.

Cause:
The MSP refers to the calculation of the hospital specific DSH upper payment limit, but does not include the methodology for calculating the hospital specific DSH upper payment limit.

Effect:
Not including the calculation methodology in the State’s MSP is not in compliance with the final DSH rule which could cause reimbursement to the State for the federal portion of the Medicaid DSH payments to be delayed or suspended. Without the required description of the methodology, the calculation of hospital-specific limits could be incorrect or inconsistent and therefore hospitals may receive DSH payments that are greater than their actual uncompensated cost of care of providing hospital services to Medicaid eligible individuals and individuals with no source of third party coverage.

Recommendation:
We recommend that OHCA update the MSP to include the methodology for calculating the hospital-specific DSH upper payment limit.
Communication on Internal Control
Communication on Internal Control
For the State of Oklahoma
Related to the Six Disproportionate Share Hospital (DSH) Verifications Required Under 42 CFR §455.301 and §455.304(d)
For Year Ended September 30, 2014

We have examined the assertion of the state of Oklahoma that operation of the DSH Program for the period ended September 30, 2014 followed the requirements of the six DSH verifications set forth in 42 CFR §455.304. We conducted our examination in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about the state of Oklahoma’s compliance with the six DSH verifications set forth in 42 CFR §455.304(d), we performed tests of its compliance with certain provisions of laws, regulations, and policies, noncompliance with which could have a direct and material effect on the Report on DSH Verifications. However, providing an opinion on compliance with those provisions was not an objective of our examination, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the Schedule of Findings Relating to the DSH Verifications.

Internal Control over the Required Six DSH Verifications
In planning and performing our examination of the state of Oklahoma’s assertion that the Disproportionate Share Hospital Program (DSH) for the period ended September 30, 2014 followed the requirements of the six DSH verifications set forth in 42 CFR §455.304, in accordance with attestation standards established by the American Institute of Certified Public Accountants, we considered the state of Oklahoma’s internal control over the DSH program (internal control), as a basis for designing our examination procedures for the purpose of expressing our opinion on the state of Oklahoma’s assertion related to the six DSH verifications, but not for the purpose of expressing an opinion on the effectiveness of the state of Oklahoma’s internal control. Accordingly, we do not express an opinion on the effectiveness of the state of Oklahoma’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses. A deficiency in internal control that...
control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial information will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies in internal control to be material weaknesses:
Findings 1, 2, 3, and 4 in the Schedule of Findings Relating to the DSH Verifications

This communication is intended solely for the information and use of the Oklahoma Health Care Authority, the Oklahoma State Legislature, the hospitals participating in the state of Oklahoma’s DSH program, and the Centers for Medicare & Medicaid Services and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC
December 13, 2017
Schedule of Annual Reporting Requirements
### Independent Accountant's Report

The Independent Accountant's Report section is not fully visible, but it appears to be related to financial statements or audits. The text is cut off, so the full content is not available.

### Table: Schedule of Annual Reporting Requirements (table)

The table is not fully visible, but it appears to be related to financial statements or audits. The text is cut off, so the full content is not available.

### Table: Schedule of Data Caveats

The table is not fully visible, but it appears to be related to financial statements or audits. The text is cut off, so the full content is not available.

### Table: Year-End Report of Medically Indigent Care Costs

<table>
<thead>
<tr>
<th>Hospital Name</th>
<th>Statewide Indigent</th>
<th>Medicare Indigent</th>
<th>Medicaid Indigent</th>
<th>Total Indigent</th>
<th>Number of Patients</th>
<th>Total Indigent Revenues</th>
<th>Total Indigent Payments</th>
<th>Total Indigent Cost</th>
<th>Total Indigent Uncompensated Care Costs</th>
<th>Total Indigent Other Revenues</th>
<th>Total Indigent Other Payments</th>
<th>Total Indigent Other Cost</th>
<th>Total Indigent Uncompensated Care Costs</th>
<th>Total Indigent Other Revenues</th>
<th>Total Indigent Other Payments</th>
<th>Total Indigent Other Cost</th>
<th>Total Indigent Uncompensated Care Costs</th>
</tr>
</thead>
</table>
Independence Declaration
To Whom it May Concern:

Myers and Stauffer LC declares it is independent of the state of Oklahoma and its DSH hospitals for the Medicaid State plan rate year ending September 30, 2014.

Myers and Stauffer LC

Myers and Stauffer LC
December 13, 2017