



December 19, 2014

Mr. Aaron Morris  
Oklahoma Health Care Authority  
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Oklahoma City, Oklahoma 73105

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 19, 2014. In connection with our examination engagement, we noted the following matters which we would like to bring to your attention.

**DSH QUALIFICATION**

The following two providers received DSH payments and were not qualified for the DSH payments:

Hospital	DSH Payments Received	Reason for Not Qualifying
Blackwell Regional Hospital	\$71,112	Did Not Meet OB Requirement
Jim Taliaferro Community Mental Health Center	\$374,872	Did Not Meet MIUR Requirement

Blackwell Regional Hospital answered “No” to all three obstetrician (OB) questions on the Myers and Stauffer LC DSH Survey file indicating that they did not meet the OB requirement. Jim Taliaferro Community Mental Health Center did not meet the 1 percent Medicaid inpatient utilization rate (MIUR) requirement based on the information from the DSH Survey Part II file that was submitted.

**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 OB or physician information provided by the hospitals on their applications for DSH funding. For future Medicaid State Plan (MSP) rate years, MIUR and low income utilization rate (LIUR) should be recomputed using source documentation, such as Medicaid Management Information Systems (MMIS) data, when such information becomes available. The Center for Medicaid & 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 qualifications 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.”

## HOSPITAL-SPECIFIC DSH PAYMENT LIMIT

The following five providers received DSH payments that exceeded their hospital-specific DSH limit calculated under the DSH Rule in MSP rate year 2011:

Hospital	DSH Payments Received	Calculated Hospital Specific Limit	Comment
Valley View Regional Hospital	\$644,877	(\$649,956)	Facility received large Supplemental Hospital Offset Payment Program (SHOPP) payment/Large longfalls calculated in Medicaid fee-for-service (FFS) and Medicare FFS Cross-Overs categories
Parkside Hospital Inc.	\$152,991	(\$180,484)	Facility received large SHOPP payment
Adair County Health Center	\$73,989	(\$956,017)	Facility received large SHOPP payment/Large longfalls calculated in Medicaid FFS and Medicare FFS Cross-Overs categories
Jim Taliaferro Community Mental Health Center	\$374,872	\$0	Considered to have exceeded their DSH limit since they did not have a MIUR of 1percent or greater
Blackwell Regional Hospital	\$71,112	\$0	Considered to have exceeded their DSH limit since they did not meet the OB requirement

### Recommendation

As stated in our Independent Accountant's Report dated December 19, 2014, we recommend that OHCA revise its methodology of calculating the hospital-specific limit to include SHOPP payments for future calculations.

## 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:

- St. John Medical Center

- Saint Francis Hospital
- Midwest Regional Medical Center
- Jim Taliaferro Community Mental Health 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. OHCA should monitor and ensure that DSH hospitals retain adequate, accurate, and detailed information to support data reported on their DSH applications. OHCA should also make hospitals aware that the 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.

### **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 2011 MSP does not provide a description of the methodology for calculating hospital-specific DSH limits. Additionally, the definition of uninsured charges in the 2011 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,



Frank N. Vito, CPA, CICA, CGMA  
Member