

Independent Accountant's Report on the Examination of
Program Operations as Related to the
Disproportionate Share Hospital Payments Final Rule for
Medicaid State Plan Rate Year Ending September 30, 2011

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

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

Oklahoma Health Care Authority
Oklahoma City, Oklahoma

We have examined the State of Oklahoma's compliance with Disproportionate Share Hospital (DSH) program requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ending September 30, 2011. 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 listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) 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 Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, as well as General DSH Audit and Report Protocol as required by 42 CFR §455.301 and §455.304(d). Based on these standards, our examination included examining on a test basis, evidence about the State of Oklahoma's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our examination provides 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 listed 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 our opinion, except for the effect of the items described in the Schedule of Data Caveats Relating to the DSH Verifications, the Report on DSH Verifications presents fairly the State of Oklahoma's compliance with federal Medicaid DSH program requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ending September 30, 2011.

In accordance with GAGAS, we have also issued our report dated December 19, 2014 on our consideration of the State of Oklahoma's internal control over the DSH program for the period ended September 30, 2011, 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 GAGAS and should be considered in assessing the results of our examination.

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 & Medicaid Services (CMS) and is not intended to be, and should not be, used by anyone other than these specified parties.

Myers and Stauffer LC

Myers and Stauffer LC
December 19, 2014

State of Oklahoma Disproportionate Share Hospital (DSH)
Report on DSH Verifications
For the Year Ended September 30, 2011

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 (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.

Findings: Our examination disclosed that two hospitals did not qualify for a DSH payment. We identified one hospital that did not meet the obstetrician (OB) requirement based on the responses provided. We also identified one hospital that did not meet the 1 percent Medicaid inpatient utilization rate (MIUR) qualification based on our calculations. Our examination disclosed that all hospitals that qualified for a DSH payment in Oklahoma were allowed to retain the payment.

In our opinion, except for the effects discussed in the preceding paragraph, the hospitals that qualified for DSH payments were allowed to retain the payments in accordance with 42 CFR § 455.304 (d)(1).

Verification 2: DSH payments made to each qualifying hospital comply with the hospital specific DSH payment limit. For each audited MSP rate year, the DSH payments made in that audit MSP rate year are measured against the actual uncompensated cost in that same audit MSP rate year.

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

In our opinion, except for the effects discussed in the preceding paragraph, the State DSH payments made to each qualifying hospital complied with the hospital-specific DSH payment limit in accordance with Federal Register/Vol. 73, No. 245, December 19, 2008.

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 payment limit, as described in Section 1923 (g) (1) (A) of the Act.

Findings: Our examination disclosed that four hospitals did not include 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 in the calculation of the hospital-specific disproportionate share payment limit.

In our opinion, except for the effects discussed in the preceding paragraph, only

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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 were included in the hospital-specific disproportionate share payment limit in accordance with 42 CFR §455.304 (d)(3) relating to the Medicaid Program's DSH Rule.

Verification 4: For purposes of the 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: Our examination disclosed that the CMS-approved 2011 State MSP does not define all payments to be included in the calculation of the hospital-specific limit. Review of the State's calculation of the hospital-specific limits revealed that the State does consider Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, Medicaid payments from other states, Medicare and Medicaid payments for dual-eligible patients and payments for any Section 1011 patients. However, it was noted that the State did not include the Supplemental Hospital Offset Payment Program (SHOPP) payments in the calculation of the hospital-specific limit calculation due to the program not being implemented until the last quarter of the MSP year. As a result, not all supplemental payments that disproportionate share hospitals received for providing inpatient hospital and outpatient hospitals services to Medicaid eligible individuals which were in excess of the Medicaid incurred costs of such services, were 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.

In our opinion, except for the effects discussed in the preceding paragraph, all Medicaid payments, that 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 in accordance with 42 CFR §455.304 (d)(4) relating to the Medicaid Program's DSH Rule.

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 disclosed that the Oklahoma Health Care Authority

State of Oklahoma Disproportionate Share Hospital (DSH)
Report on DSH Verifications
For the Year Ended September 30, 2011

(OHCA) has retained the following documents pertaining to the DSH program: MSP, DSH surveys received from the hospitals, correspondence received from the hospitals, OHCA-prepared DSH calculation worksheets and the Medicaid Management Information Systems (MMIS) data. OHCA does not maintain or collect support for the DSH surveys completed by the hospitals. In accordance with the MSP, each hospital is responsible for maintaining its own supporting documents and records related to information reported to OHCA on the annual DSH survey. We found that all hospitals were able to provide some 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.

In our opinion, management separately documented and retained information and records of costs and payments related to the DSH program in accordance with 42 CFR §455.304 (d)(5) relating to the Medicaid Program's DSH Rule.

Verification 6: 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. 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 disclosed that the information specified in the 2011 State MSP provides a description of the methodology for calculating each hospital's DSH payment but does not provide a description of the methodology for calculating hospital-specific DSH limits, therefore it does not comply with Federal Regulation under Section 1923(g)(1) of the Social Security Act. The State Plan does not define uncompensated care cost and inpatient hospital and outpatient hospital Medicaid reimbursable services; however, the State relies on the Oklahoma Administrative Code for the definitions of uncompensated care costs and inpatient hospital and outpatient hospital Medicaid reimbursable services when calculating the hospital-specific DSH limits.

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.

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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).

In our opinion, management did not include in the information and records it retained, a description of the methodology for calculating each hospital's DSH payment limit. Management included in the information and records it retained, definitions of incurred inpatient hospital and outpatient hospital costs to Medicaid eligible individuals and individuals with no source of third-party coverage for the inpatient hospital and outpatient services they received in accordance with 42 CFR §455.304 (d)(6) relating to the Medicaid Program's DSH Rule.

Report on DSH Verifications

State of Oklahoma
Report on DSH Verifications (table)
For the Medicaid State Plan Rate Year Ended September 30, 2011

Hospital	Verification #1	Verification #2			Verification #3	Verification #4	Verification #5	Verification #6
	Was Hospital Allowed to Retain DSH Payment?	DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year	DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured Included in UCC?	If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount?	Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained?	Does the retained documentation include a description of the methodology used to calculate the UCC?
ADAIR COUNTY HEALTH CENTER	Yes	73,989	(956,017)	(73,989)	Yes	Yes	Yes	No
BAILEY MEDICAL CENTER	Yes	189,035	3,579,801	3,390,766	Yes	Yes	Yes	No
BRISTOW MEDICAL CENTER	Yes	30,753	946,010	915,257	Yes	Yes	Yes	No
CLAREMORE REGIONAL HOSPITAL	Yes	242,973	1,796,719	1,553,746	Yes	Yes	Yes	No
COMANCHE COUNTY MEMORIAL HOSPITAL	Yes	991,382	7,257,529	6,266,147	Yes	Yes	Yes	No
CRAIG GENERAL HOSPITAL	Yes	164,928	1,556,980	1,392,052	Yes	Yes	Yes	No
CUSHING REGIONAL HOSPITAL	Yes	187,400	1,952,666	1,765,266	Yes	Yes	Yes	No
DEACONESS HOSPITAL	Yes	1,130,789	7,232,212	6,101,423	Yes	Yes	Yes	No
DUNCAN REGIONAL HOSPITAL	Yes	443,560	2,008,079	1,564,519	Yes	Yes	Yes	No
GEORGE NIGH REHABILITATION INSTITUTE	Yes	37,994	242,093	204,099	Yes	Yes	Yes	No
GRADY MEMORIAL HOSPITAL	Yes	153,109	1,681,797	1,528,688	Yes	Yes	Yes	No
GREAT PLAINS REGIONAL MEDICAL CENTER	Yes	175,100	3,070,422	2,895,322	Yes	Yes	Yes	No
CAH ACQUISITION COMPANY 16 LLC	Yes	66,374	578,776	512,402	Yes	Yes	Yes	No
HENRYETTA MEDICAL CENTER	Yes	145,980	458,399	312,419	Yes	Yes	Yes	No
HILLCREST MEDICAL CENTER	Yes	3,733,393	33,041,097	29,307,704	Yes	Yes	Yes	No
HOLDENVILLE GENERAL HOSPITAL	Yes	25,386	702,779	677,393	Yes	Yes	Yes	No
INTEGRIS BAPTIST MEDICAL CENTER	Yes	3,800,300	28,085,696	24,285,396	Yes	Yes	Yes	No
INTEGRIS BAPT. REGIONAL HEALTH CTR.	Yes	447,189	3,628,908	3,181,719	Yes	Yes	Yes	No
BASS BAPTIST HEALTH CENTER	Yes	689,677	4,206,097	3,516,420	Yes	Yes	Yes	No
BLACKWELL REGIONAL HOSPITAL	Yes	71,112	1,058,414	987,302	Yes	Yes	Yes	No
INTEGRIS CANADIAN VALLEY HOSPITAL	Yes	181,571	5,795,348	5,613,777	Yes	Yes	Yes	No
INTEGRIS CLINTON HOSPITAL	Yes	147,042	2,390,423	2,243,381	Yes	Yes	Yes	No
INTEGRIS GROVE GENERAL HOSPITAL	Yes	192,239	4,206,056	4,013,817	Yes	Yes	Yes	No
INTEGRIS SOUTHWEST MEDICAL CENTER	Yes	2,300,116	19,708,435	17,408,319	Yes	Yes	Yes	No
J.D. MCCARTY HANDICAPPED CTR	Yes	275,155	437,724	162,569	Yes	Yes	Yes	No
JACKSON COUNTY MEMORIAL HOSPITAL	Yes	422,255	5,080,831	4,658,576	Yes	Yes	Yes	No
JANE PHILLIPS MEDICAL CENTER	Yes	511,139	7,627,698	7,116,559	Yes	Yes	Yes	No
KINGFISHER REGIONAL HOSPITAL	Yes	45,563	1,499,921	1,454,358	Yes	Yes	Yes	No
LAKESIDE WOMEN S HOSPITAL	Yes	16,835	252,473	235,638	Yes	Yes	Yes	No
COAL COUNTY GENERAL HOSPITAL	Yes	18,781	181,168	162,387	Yes	Yes	Yes	No
MAYES COUNTY MEDICAL CENTER	Yes	119,080	3,007,025	2,887,945	Yes	Yes	Yes	No
MCALISTER REGIONAL HEALTH CENTER	Yes	709,702	3,729,836	3,020,134	Yes	Yes	Yes	No
MERCY HEALTH CENTER	Yes	1,691,539	16,393,188	14,701,649	Yes	Yes	Yes	No
MERCY MEMORIAL HEALTH CENTER	Yes	1,004,949	13,148,530	12,143,581	Yes	Yes	Yes	No
MIDWEST REGIONAL MEDICAL CENTER	Yes	1,100,674	7,640,696	6,540,022	Yes	Yes	Yes	No
MUSKOGEE COMMUNITY HOSPITAL	Yes	102,356	1,412,636	1,310,280	Yes	Yes	Yes	No
MUSKOGEE REGIONAL MEDICAL CENTER	Yes	1,131,154	2,293,193	1,162,039	Yes	Yes	Yes	No
NORMAN REGIONAL HOSPITAL	Yes	3,197,899	19,194,414	15,996,515	Yes	Yes	Yes	No
ST. JOHN OWASSO	Yes	291,002	3,196,301	2,905,299	Yes	Yes	Yes	No
PAULS VALLEY GENERAL HOSPITAL	Yes	75,749	438,137	362,388	Yes	Yes	Yes	No
PAWHUSKA HOSPITAL INC.	Yes	23,790	186,858	163,068	Yes	Yes	Yes	No
PONCA CITY MEDICAL CENTER	Yes	447,946	3,314,021	2,866,075	Yes	Yes	Yes	No
PRAGUE COMMUNITY HOSPITAL	Yes	17,882	415,283	397,401	Yes	Yes	Yes	No
SAINT FRANCIS HOSPITAL	Yes	4,317,303	14,867,932	10,550,629	Yes	Yes	Yes	No
SAINT FRANCIS HOSPITAL SOUTH	Yes	157,311	3,279,639	3,122,328	Yes	Yes	Yes	No

State of Oklahoma
 Report on DSH Verifications (table)
 For the Medicaid State Plan Rate Year Ended September 30, 2011

Hospital	Verification #1	Verification #2			Verification #3	Verification #4	Verification #5	Verification #6
	Was Hospital Allowed to Retain DSH Payment?	DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year	DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured Included in UCC?	If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount?	Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained?	Does the retained documentation include a description of the methodology used to calculate the UCC?
SOUTHCREST HOSPITAL	Yes	1,002,177	8,083,294	7,081,117	Yes	Yes	Yes	No
SOUTHWESTERN MEDICAL CENTER	Yes	375,922	4,882,777	4,506,855	Yes	Yes	Yes	No
ST. ANTHONY HOSPITAL	Yes	2,025,416	17,419,219	15,393,803	Yes	Yes	Yes	No
ST. JOHN MEDICAL CENTER	Yes	3,228,668	19,456,564	16,227,896	Yes	Yes	Yes	No
ST MARY S REG L MEDICAL CENTER	Yes	254,383	5,984,827	5,730,444	Yes	Yes	Yes	No
STILLWATER MEDICAL CENTER	Yes	430,043	4,175,840	3,745,797	Yes	Yes	Yes	No
TAHLEQUAH CITY HOSPITAL	Yes	411,616	1,076,882	665,266	Yes	Yes	Yes	No
UNITY HEALTH CENTER	Yes	814,034	4,015,374	3,201,340	Yes	Yes	Yes	No
VALIR REHAB HOSPITAL	Yes	33,250	1,494,794	1,461,544	Yes	Yes	Yes	No
VALLEY VIEW REGIONAL HOSPITAL	Yes	644,877	(649,956)	(644,877)	Yes	Yes	Yes	No
WEATHERFORD REGIONAL HOSPITAL	Yes	65,754	842,065	776,311	Yes	Yes	Yes	No
WOODWARD REGIONAL HOSPITAL	Yes	120,544	2,589,151	2,468,607	Yes	Yes	Yes	No
CARL ALBERT COMMUNITY MENTAL HEALTH	Yes	649,945	1,806,917	1,156,972	Yes	Yes	Yes	No
GRIFFIN MEMORIAL HOSPITAL	Yes	1,525,863	6,777,008	5,251,145	Yes	Yes	Yes	No
JIM TALIAFERRO COMM MENTAL HLTH CNTR	Yes	374,872	1,304,199	929,327	Yes	Yes	Yes	No
PARKSIDE HOSPITAL INC.	Yes	152,991	(180,484)	(152,991)	Yes	Yes	Yes	No



State of Oklahoma Disproportionate Share Hospital (DSH)
Schedule of Data Caveats Relating to the DSH Verifications
For the Year Ended September 30, 2011

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 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.

Condition:

We found that two hospitals did not qualify for a DSH payment. One hospital did not meet the OB requirement based on responses provided on Myers and Stauffer LC Survey files. One hospital did not meet the 1 percent MIUR qualification based on Myers and Stauffer calculations.

Cause:

OHCA relies on provider responses on the annual DSH survey files the hospitals complete and submit to determine eligibility and do not require documentation to support the responses.

Recommendation:

We recommend that the OHCA implement periodic monitoring procedures to ensure disproportionate share hospitals maintain complete and accurate documentation to support all responses on the DSH survey files.

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 61 in-state hospitals received DSH payments in MSP rate year 2011. We found that five of the 61 hospitals received DSH payments exceeding their hospital-specific DSH payment limits calculated on the DSH Rule.



Cause:

The State did not include the SHOPP payments in the calculation of the hospital-specific limit calculation. The State also made payments to hospitals that were not qualified for the DSH program.

Recommendation:

We recommend the State update the hospital-specific limit calculation to include the SHOPP payments.

Finding 3

Criteria:

Section 42 CFR Part 455.304(d)(3) requires that only the uncompensated care costs of providing inpatient hospital and outpatient hospital services to Medicaid eligible individuals and uninsured individuals as described in Section 1923(g)(1)(A) of the Act can be included in the calculation of hospital-specific limits.

Condition:

Four hospitals did not include 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 in the calculation of the hospital-specific disproportionate share payment limit.

Cause:

The State does not verify the self-reported uninsured and Medicaid eligible data provided by the hospitals on their DSH surveys.

Recommendation:

We recommend the State review the self-reported uninsured data for reasonableness and to ensure the hospitals are properly including only costs of Medicaid eligible and uninsured individuals in their hospital-specific limit calculation.

Finding 4

Criteria:

Social Security Act Section 1923(g)(1)(A) specifies that hospital-specific DSH payment limits should be subject to costs net of all non-DSH section payments received under Title XIX of the Social Security Act. Section 42 CFR Part 455.304(d)(4) echoes this requirement and states that all Medicaid payments should be applied against uncompensated care costs for the purpose of hospital-specific DSH payment limit calculation.

Condition:

The CMS-approved State MSP does not define all Medicaid payments to be included in the calculation of the hospital-specific limit. Review of the State's calculation of the hospital-specific limits revealed that the State does consider Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, Medicaid payments from other states, Medicare



and Medicaid payments for dual-eligible patients and payments for any Section 1011 patients. However, it was noted that the State did not include the SHOPP payments in the calculation of the hospital-specific limit calculation due to the program not being implemented until the last quarter of the MSP year. As a result, the state of Oklahoma did not apply all payments made on behalf of Medicaid eligible individuals in the calculation of the hospital-specific DSH payment limits.

Cause:

The State did not include the SHOPP payments or cost in the DSH limit calculation.

Recommendation:

We recommend the State update the CMS approved MSP to include the methodology used to calculate the hospital-specific DSH limits including specific payments to be applied against the incurred costs of providing services in the calculation of the hospital-specific DSH limits.

Finding 5

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.

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



Oklahoma Health Care Authority
Oklahoma City, Oklahoma

INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER THE DISPROPORTIONATE SHARE HOSPITAL PROGRAM IN OKLAHOMA STATE FOR THE MEDICAID STATE PLAN RATE YEAR 2011 AS IT RELATES TO THE SIX VERIFICATIONS SET FORTH IN 42 CFR PART 455 RELATING TO THE MEDICAID PROGRAM FOR DISPROPORTIONATE SHARE HOSPITAL PAYMENTS FINAL RULE AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN ATTESTATION ENGAGEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

We have examined the compliance of Oklahoma Health Care Authority Disproportionate Share Hospital (DSH) Program in the State for the Medicaid State Plan (MSP) rate year 2011 with the requirements of the six DSH verifications set forth in 42 CFR §455.304. Our examination report was qualified due to certain aspects of the operation of the DSH Program in the State for MSP rate year 2011 did not fully comply with the requirements of the six verifications set forth in 42 CFR §455.304 relating to the DSH Rule. We conducted our examination in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

Internal Control over the Required Six DSH Verifications

In planning and performing our examination of the State of Oklahoma's DSH compliance with the requirements of the six DSH verifications set forth in 42 CFR §455.304 for the period ended September 30, 2011, in accordance with attestation standards established by the AICPA, 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 compliance 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.

A deficiency in internal 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. We consider the following deficiencies in internal control to be material weaknesses:

Findings 1 through 5 in the Schedule of Data Caveats Relating to the DSH Verifications.

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 GAGAS, which are described in the Schedule of Data Caveats Relating to the DSH Verifications.

This communication is intended solely for the information and use of 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. It is not intended to be, and should not be, used by anyone other than these specified parties.

Myers and Stauffer LC

Myers and Stauffer LC
December 19, 2014

Schedule of Annual Reporting Requirements

State of Oklahoma
 Schedule of Annual Reporting Requirements
 For the Medicaid State Plan Rate Year Ended September 30, 2011

Definition of Uncompensated Care:

The definition of uncompensated care was based on guidance published by CMS in the '73 Fed. Reg. 77904 dated December 19, 2008 and the '79 Fed. Reg. 71679 dated December 3, 2014. The calculated uncompensated care costs (UCC) represent the net uncompensated costs of providing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no source of third party coverage. The UCC for these patient groups was calculated using State and cost reporting methods, and utilized the Medicare cost report, Medicaid Paid Claims Summaries, and Hospital-Provided Data. Total uncompensated care costs represents the net uncompensated care costs of providing inpatient and outpatient hospital services to patients that fall into one of the following Medicaid in-State and out-of-State payment categories: Fee-for-Service Medicaid primary, Fee-for-Service Crossovers, Managed Care Medicaid primary, Managed Care Medicaid Crossover, and Uninsured individuals with no source of third party coverage. The cost of services for each of these payment categories was calculated using the appropriate per diem or cost-to-charge ratios from each hospital's Medicare Cost Report. These costs were then reduced by the total payments received for the services provided, including any supplemental Medicaid payments and Section 1011 payments where applicable.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
Hospital Name	State Estimated Hospital-Specific DSH Limit	Medicaid I/P Utilization Rate	Low-Income Utilization Rate	State-Defined Eligibility Statistic	Regular I/POP Medicaid FFS Rate Payments	I/POP Medicaid MCO Payments	Supplemental/Enhanced I/POP Medicaid Payments	Total Medicaid I/POP (F+G+H)	Total Cost of Care - Medicaid I/POP Services	Total Medicaid Uncompensated Care Costs (J-K)	Total I/POP Indigent Care/Self-Pay Revenues	Total Applicable Section 1011 Payments	Total I/POP Uninsured Cost of Care	Total Uninsured Uncompensated Care Costs (N-M+L)	Total Eligible Uncompensated Care Costs (K-O)	Total In-State DSH Payments Received	Total Out-of-State DSH Payments Received	Medicaid Provider Number	Medicare Provider Number	Total Hospital Cost
Adair County Health Center	638,168	35.47%	19.30%	1% MIUR	4,899,602	0	333,914	5,233,516	3,983,476	(1,248,040)	135,027	0	427,580	292,023	(956,017)	73,989	0	100700030A	370178	9,637,742
Bailey Medical Center	6,592,909	26.23%	8.36%	1% MIUR	3,190,798	0	145,359	3,336,157	5,972,583	2,636,426	946,644	0	1,889,839	943,375	3,579,801	189,035	0	200102450A	370228	29,977,404
Bristow Medical Center	771,945	7.58%	0.00%	1% MIUR	984,770	0	0	984,770	1,641,444	656,674	48,843	0	338,179	289,336	940,010	30,753	0	200044170A	370041	8,837,712
Claremore Regional Hospital	4,394,254	26.94%	14.57%	1% MIUR	7,283,967	0	471,688	7,755,655	8,219,246	463,621	588,256	0	1,921,354	1,333,098	1,796,719	242,973	0	100726280B	370039	33,025,067
Comanche County Memorial Hospital	3,672,155	23.75%	10.12%	1% MIUR	24,257,702	0	17,334	24,275,036	24,996,210	721,174	1,351,638	0	7,882,993	6,536,355	7,257,529	991,282	0	100700750A	370056	132,371,329
CRAIG GENERAL HOSPITAL	1,871,893	26.95%	12.50%	1% MIUR	4,494,410	0	246,027	4,740,437	5,397,443	657,006	120,460	0	1,020,454	899,974	1,556,980	164,928	0	100261400B	370065	32,057,009
Cushing Regional Hospital	3,526,102	34.92%	14.01%	1% MIUR	6,245,484	0	0	6,245,484	7,381,038	1,135,554	414,315	0	1,231,427	817,112	1,952,666	187,400	0	200044190A	370099	22,712,301
DEACONESS HOSPITAL	13,976,872	25.59%	9.90%	1% MIUR	18,070,226	0	1,484,750	19,554,976	22,255,136	2,700,160	1,223,829	0	5,755,881	4,532,052	2,232,212	1,130,789	0	100699370A	370032	107,575,796
DUNCAN REGIONAL HOSPITAL	3,163,302	30.36%	13.16%	1% MIUR	12,265,161	0	615,502	12,880,663	12,313,897	(566,766)	619,866	0	1,352,845	2,008,079	443,560	0	0	100700120A	370023	50,636,299
GEORGE NIGH REHABILITATION INSTITUTE	249,895	30.97%	14.87%	1% MIUR	751,523	0	129,179	880,702	1,122,795	242,093	0	0	0	242,093	37,994	0	0	100693650A	373026	4,366,336
Grady Memorial Hospital	2,136,767	37.12%	12.41%	1% MIUR	6,421,526	0	475,897	6,897,423	7,140,770	243,347	456,990	0	1,895,440	1,438,580	1,881,797	153,109	0	10070820A	370054	24,726,241
GREAT PLAINS REGIONAL MEDICAL CENTER	1,189,372	32.95%	12.62%	1% MIUR	6,207,321	0	383,942	6,591,263	8,790,356	2,198,773	711,365	0	1,583,014	871,649	3,070,422	175,100	0	100699140A	370159	34,773,549
CAH ACQUISITION COMPANY 16 LLC	919,833	4.04%	1.24%	1% MIUR	127,330	0	0	127,330	145,908	18,578	60,951	0	62,149	560,198	578,776	66,274	0	100700850A	371335	16,229,258
Henryetta Medical Center	1,009,469	36.21%	14.08%	1% MIUR	3,244,928	0	108,993	3,353,921	3,462,970	109,049	192,912	0	542,262	349,350	458,399	145,980	0	200045700C	370183	11,425,915
Hillcrest Medical Center	25,797,427	50.98%	16.42%	1% MIUR	86,285,164	0	10,481,081	96,766,245	111,885,769	15,121,524	1,870,751	0	19,790,324	17,919,737	33,041,097	3,733,393	0	200044210A	370101	308,118,117
HOLDENVILLE GENERAL HOSPITAL	786,814	35.25%	10.75%	1% MIUR	2,129,041	0	107,103	2,236,144	2,455,482	219,338	83,094	0	566,535	483,441	702,779	29,386	0	100699880A	371321	8,465,551
INTEGRIS Baptist Medical Center	31,656,208	40.69%	9.12%	1% MIUR	72,142,442	0	8,087,204	80,499,646	97,133,471	16,635,825	3,273,044	0	14,722,915	11,449,871	28,085,696	3,800,300	0	100806400C	370028	428,371,634
INTEGRIS BAPT. REGIONAL HEALTH CTR.	5,115,523	36.18%	10.60%	1% MIUR	8,735,107	0	547,329	9,282,436	11,107,718	1,825,282	286,089	0	2,089,715	1,803,626	3,628,908	447,189	0	100699440A	370004	33,703,356
BASS BAPTIST HEALTH CENTER	7,561,622	45.90%	11.76%	1% MIUR	16,313,188	0	1,651,664	17,964,852	20,460,300	2,495,448	1,004,359	0	2,715,008	1,710,649	4,306,997	689,677	0	100699500A	370016	69,332,964
BLACKWELL REGIONAL HOSPITAL	1,111,532	34.26%	10.27%	1% MIUR	2,235,490	0	164,922	2,400,412	2,915,171	514,759	125,714	0	669,369	543,665	1,058,414	71,412	0	100700340A	370030	10,200,254
INTEGRIS CANADIAN VALLEY HOSPITAL	3,734,436	32.90%	8.30%	1% MIUR	6,060,375	0	504,673	6,565,048	10,486,000	3,920,952	588,615	0	2,460,011	1,873,496	5,795,348	181,571	0	100700610A	370211	43,939,490
INTEGRIS CLINTON HOSPITAL	3,135,972	32.16%	10.22%	1% MIUR	3,585,154	0	265,172	3,850,326	5,241,110	1,390,784	196,574	0	1,196,213	999,639	2,390,423	147,042	0	100700010A	370029	20,451,073
Integrus Grove General Hospital	3,222,168	38.01%	10.23%	1% MIUR	9,023,184	0	471,489	9,494,673	11,777,707	2,283,034	373,241	0	2,296,263	1,923,022	4,206,056	192,239	0	100699700A	370113	37,896,837
Integrus Southwest Medical Center	28,505,112	26.93%	9.75%	1% MIUR	38,587,184	0	2,628,174	41,215,358	48,391,638	7,176,280	1,336,491	0	13,868,646	12,532,155	19,708,435	2,300,116	0	100700200A	370106	181,512,206
J D MCCARTY HANDICAPPED CTR	2,408,416	92.13%	100.00%	1% MIUR	10,531,762	0	2,498,416	13,030,178	13,467,902	457,724	0	0	0	0	487,724	275,155	0	100700970A	373300	15,052,986
Jackson County Memorial Hospital	2,038,708	18.18%	13.94%	1% MIUR	6,160,895	0	725,356	6,886,251	8,140,873	1,260,642	404,620	0	4,116,809	3,712,189	5,080,851	422,255	0	100699580A	370025	47,144,337
JANE PHILLIPS MEDICAL CENTER	8,047,052	17.51%	8.37%	1% MIUR	11,543,414	0	744,360	12,287,774	14,408,540	2,120,766	399,535	0	5,906,467	5,506,932	7,627,698	511,139	0	100699490A	370018	87,929,859
Kingfisher Regional Hospital	1,095,658	24.63%	7.55%	1% MIUR	1,167,321	0	52,843	1,220,164	1,601,378	379,214	99,569	0	808,276	708,707	1,499,921	45,563	0	100699510A	371313	14,208,187
LAKESIDE WOMEN'S HOSPITAL	154,920	8.90%	2.24%	1% MIUR	511,200	0	0	511,200	790,134	278,934	289,143	0	262,682	(26,461)	252,473	16,835	0	100743350B	370199	16,831,103
COAL COUNTY GENERAL HOSPITAL	180,835	15.27%	11.24%	1% MIUR	537,935	0	19,431	557,366	641,957	85,591	25,337	0	121,114	95,577	181,168	18,781	0	100774650D	371319	5,932,421
Mayo County Medical Center	2,759,600	38.96%	19.83%	1% MIUR	3,507,690	0	181,833	3,689,525	5,540,924	1,851,399	255,330	0	1,410,956	1,155,626	3,007,025	119,080	0	100700040A	370155	17,788,450
McAlester Regional Health Center	4,105,352	36.17%	12.87%	1% MIUR	14,403,210	0	1,153,442	15,556,652	16,633,922	1,077,270	433,921	0	3,086,487	2,652,566	3,729,836	709,702	0	100710530D	370034	55,558,262
MERCY HEALTH CENTER	13,663,746	20.84%	8.18%	1% MIUR	28,618,916	808	3,110,581	31,730,305	39,247,583	7,517,278	1,163,595	0	10,039,505	8,875,510	16,393,188	1,691,539	0	100699390A	370103	250,092,524
Mercy Memorial Health Center	7,558,623	31.06%	19.19%	1% MIUR	24,427,987	289	1,504,135	25,932,411	31,164,145	5,231,734	410,783	0	8,327,579	7,916,796	13,148,530	1,004,949	0	100262320C	370047	110,686,765
Midwest Regional Medical Center	8,791,170	24.08%	10.30%	1% MIUR	26,789,945	0	1,686,697	28,476,642	32,074,577	(402,095)	1,216,444	0	9,259,235	8,042,791	13,640,696	1,100,674	0	100700490A	370094	125,028,300
Muskogee Community Hospital	2,018,524	18.39%	12.07%	1% MIUR	4,933,801	0	0	4,933,801	6,346,437	1,412,636	0	0	0	1,412,636	102,356	0	0	20025810A	370232	28,309,121
MUSKOGEE REGIONAL MEDICAL CENTER	12,781,643	30.93%	17.27%	1% MIUR	27,059,178	0	2,067,178	29,126,356	26,940,151	(2,186,205)	629,949	0	5,109,347	4,479,398	2,293,193	1,131,154	0	100700630A	370025	87,300,258
NORMAN REGIONAL HOSPITAL	33,032,570	17.58%	10.58%	1% MIUR	25,310,413	0	3,263,969	28,574,382	35,711,617	7,137,235	1,950,645	0	14,007,824	12,057,179	19,194,414	3,197,890	0	100700690A	370008	236,141,571
ST. JOHN OWASSO	7,521,127	23.19%	7.21%	1% MIUR	2,405,344	0	207,846	2,613,190	4,013,100	1,399,910	248,888	0	2,045,279	1,796,391	3,196,301	291,002	0	200106410A	370227	26,603,642
Pauls Valley General Hospital	1,280,795	26.84%	10.01%	1% MIUR	2,043,774	0	130,930	2,174,704	2,612,841	438,137	0	0	0	438,137	75,749	0	0	100699890A	370156	11,103,670
PAWHUSKA HOSPITAL, INC.	648,083	21.67%	4.98%	1% MIUR	521,178	0	31,468	552,646	739,504	186,858	0	0	0	186,858	23,790	0	0	100690120C	371309	3,247,127
PONCA CITY MEDICAL CENTER	5,553,848	27.99%	10.66%	1% MIUR	6,733,985	0	668,003	7,401,988	9,029,639	1,627,651	356,147	0	2,042,517	1,686,370	3,314,021	447,946	0	100699420A	370006	39,739,893
Prague Community Hospital	328,801	26.02%	7.08%	1% MIUR	790,486	0	35,340													

Independence Declaration



December 19, 2014

Mr. Aaron Morris
Oklahoma Health Care Authority
4345 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105

Dear Mr. Morris,

We are submitting this letter in connection with our Independent Accountant's Report submitted to the Oklahoma Health Care Authority (OHCA) on Program Operations as Related to Disproportionate Share Hospital (DSH) Payments Final Rule (Rule) for Medicaid State Plan Rate (MSP) Year 2011.

Our examination of the DSH program was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States.

In the Rule, the Centers for Medicare & Medicaid Services (CMS) defined an "independent audit" to mean an audit conducted according to the standards specified in GAGAS. In addition, CMS indicated in the discussion accompanying the Rule that an independent auditor must operate independently from the Medicaid agency and the subject hospitals. Furthermore, CMS has issued guidance that the DSH auditor must submit a signed statement declaring independence of the respective Medicaid agency and hospitals for MSP years 2007 and later. This statement is to be included with the report submitted to CMS on an annual basis. In order for you to comply with this CMS guidance, we are furnishing you this letter to accompany the report that you will be submitting to CMS.

GAGAS requires that "(I)n all matters related to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments of independence, and must avoid the appearance of such impairments of independence."

Myers and Stauffer LC is independent of the OHCA and the Oklahoma DSH hospitals as defined by GAGAS. In addition, I, Frank Vito, acting as the engagement member-in-charge of the engagement to examine the Oklahoma DSH program under the Rule, am independent of the OHCA and the DSH hospitals.

Sincerely,

Frank N. Vito, CPA, CICA, CGMA
Member