



December 15, 2016

Mr. Aaron Morris
Oklahoma Health Care Authority
4345 N. Lincoln Blvd.
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 15, 2016. 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 |
|--------------------------------------|-----------------------|-----------------------------|
| Great Plains Regional Medical Center | \$213,502 | Did Not Meet OB Requirement |
| Holdenville General Hospital | \$83,792 | Did Not Meet OB Requirement |

The two hospitals above did not submit a completed DSH Survey Part I file certifying that they met the obstetrician (OB) requirement. Therefore, these hospitals were determined to have not meet the OB requirement to receive DSH payments.

Recommendation:

In order to ensure compliance with the DSH Rule in the future, and that only qualified hospitals receive 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 two providers that received DSH payments did not meet the OB requirement and were not qualified for a DSH payment. As a result, these hospitals exceeded their DSH payment limits:

| Hospital | DSH Payments Received | Calculated Hospital Specific Limit | Comment |
|--------------------------------------|-----------------------|------------------------------------|---|
| Great Plains Regional Medical Center | \$213,502 | \$0 | Hospital did not submit DSH Survey Part I file verifying the met the OB requirement |
| Holdenville General Hospital | \$83,792 | \$0 | Hospital did not submit DSH Survey Part I file verifying the met the OB requirement |

The following six providers received DSH payments that exceeded their hospital-specific DSH limit calculated under the DSH Rule in MSP rate year 2013:

| Hospital | DSH Payments Received | Calculated Hospital Specific Limit | Comment |
|--------------------------------|-----------------------|------------------------------------|---|
| Harmon Memorial Hospital | \$50,382 | (\$38,559) | State calculation of DSH payment limit is not in accordance with the DSH Final Rule |
| Integris Bass Memorial Baptist | \$812,601 | \$712,707 | State calculation of DSH payment limit is not in accordance with the DSH Final Rule |
| Ponca City Medical Center | \$449,072 | (\$594,357) | State calculation of DSH payment limit is not in accordance with the DSH Final Rule |
| Saint Francis Hospital | \$5,047,807 | \$555,831 | State calculation of DSH payment limit is not in accordance with the DSH Final Rule |
| Valley View Regional Hospital | \$623,155 | (\$963,397) | State calculation of DSH payment limit is not in accordance with the DSH Final Rule |
| J D McCarty C P Center | \$427,414 | (\$103,798) | State calculation of DSH payment limit is not in accordance with the DSH Final Rule |

Recommendation:

As stated in our Independent Accountant's Report dated December 15, 2016, we recommend that OHCA implement periodic monitoring procedures to ensure that hospitals that receive DSH payments meet the necessary OB requirement and are able to submit the requested documentation. In addition, we also

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 three 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
- Norman Regional Hospital
- St. John Medical Center

The following two hospital had adjustments made to other Medicaid eligible costs due to the inclusion of non-Medicaid eligible accounts not eligible for inclusion in the other Medicaid eligible portion of the DSH limit calculation:

- Claremore Regional Hospital
- Midwest City Regional Hospital

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 two hospitals did not provide any documentation or only provided minimal documentation that was not sufficient to complete analysis:

- Great Plains Regional Medical Center
- Holdenville General Hospital

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 the Centers for Medicare and Medicaid Services (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 2013 MSP does not provide a description of the methodology for calculating hospital-specific DSH limits. Additionally, the definition of uninsured charges in the 2013 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 Medicaid State Plan (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 DSH 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