



COLORADO DEPARTMENT OF HEALTH CARE POLICY & FINANCING

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John W. Hickenlooper, Governor • Susan E. Birch MBA, BSN, RN, Executive Director

November 8, 2013

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
200 East 14th Avenue, 2nd Floor
Denver, CO 80203

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the Medicaid Hospital Provider Fee Program Performance Audit. The attached report provides a brief explanation of the actions taken by the Department of Health Care Policy and Financing to implement each recommendation.

If you have any questions, please do not hesitate to contact Delora Hughes-Wise at 303-866-2413 or by email at Delora.Hughes-Wise@state.co.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Susan Birch', written over a white background.

Susan E. Birch, MBA, BSN, RN
Executive Director

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Medicaid Hospital Provider Fee Program

AUDIT NUMBER: 2177

DEPARTMENT/AGENCY/ENTITY: Department of Health Care Policy and Financing

DATE: September 2012

SUMMARY INFORMATION

*Please complete the table below with summary information for all audit recommendations. **For multi-part recommendations, list each part of the recommendation SEPARATELY.** (For example, if Recommendation 1 has three parts, list each part separately in the table.)*

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency's Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i> <i>Please refer to the attached sheet for definitions of each implementation status option.</i>	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
1a	Agree	December 2013	Implemented	
1b	Agree	December 2013	Implemented	
1c	Agree	December 2013	Implemented	
1d	Agree	December 2013	Implemented and Ongoing	
2a	Agree	March 2013	Implemented	
2b	Agree	March 2013	Implemented	
3a	Agree	November 2012	Implemented	
3b	Agree	October 2013	Implemented and Ongoing	

DETAIL OF IMPLEMENTATION STATUS

Recommendation #: 1a

Agency Addressed: Department of Health Care Policy and Financing

Recommendation Text in Audit Report:

The Department of Health Care Policy and Financing (the Department) should ensure the Hospital Provider Fee Model is based on accurate, consistent, and reliable data by:

- a. Establishing data collection methods to obtain hospital data for the Hospital Provider Fee Model that are based on existing, reliable data sources where possible. The Department should consider gathering data directly, whenever possible, from the most recently available Medicare cost reports rather than requiring hospitals to self-report data in the Hospital Provider Survey.

Agency's Response: Agree. Implementation date: December 2013.

Agency's Written Response in Audit Report:

The Department recently contracted with a vendor to develop an online Uniform Inpatient and Outpatient Medicaid and Uninsured Care Cost and Charge Report (Uniform Cost Report) to allow hospitals to report data necessary for calculation of the hospital provider fee model and supporting documentation. The vendor began work on the Uniform Cost Report on July 1, 2012 and the first Uniform Cost Reports are scheduled to be received from hospitals in spring 2013 for use in the 2013-14 hospital provider fee model.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

Implemented

Agency's Current Comments on Implementation Status of Recommendation:

The online Uniform Cost Report was launched in April 2013 and the Hospital Provider Survey was eliminated. The Uniform Cost Report is populated with existing data from the hospitals' CMS 2552-10 Medicare cost report and data from the Department's Medicaid Management Information System (MMIS) to the extent possible. Hospitals supply data that the Department does not have from other data sources, such

as data related to uninsured patients and patients covered by other states' Medicaid programs. The Department is utilizing data from the Uniform Cost Report for calculation of the 2013-14 hospital provider fees and related payments.

Recommendation #: 1b

Agency Addressed: Department of Health Care Policy and Financing

Original Recommendation in Audit Report:

The Department of Health Care Policy and Financing should ensure the Hospital Provider Fee Model is based on accurate, consistent, and reliable data by:

- b. Developing clear, consistent requirements for the data sources and methodologies hospitals must use to complete the Hospital Provider Survey.

Agency's Response: Agree. Implementation date: December 2013.

Agency's Written Response in Audit Report:

As part of the development of the Uniform Cost Report described in Part a., a comprehensive manual and instructions for hospitals will be developed that will identify acceptable and preferred data sources and describe appropriate and accurate data collection and retention methods.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

Implemented

Agency's Comments on Implementation Status of Recommendation:

The online Uniform Cost Report was launched in April 2013 and the Hospital Provider Survey was eliminated. A comprehensive manual and instructions was developed and deployed with the Uniform Cost Report. Data sources that are utilized and allowable include the CMS 2552-10 Medicare cost report, the Department's MMIS, audited hospital financial statements, and hospital accounting and payment records.

Recommendation #: 1c

Agency Addressed: Department of Health Care Policy and Financing

Original Recommendation in Audit Report:

The Department of Health Care Policy and Financing should ensure the Hospital Provider Fee Model is based on accurate, consistent, and reliable data by:

- c. Requiring hospitals to maintain supporting documentation for the data points reported in the Hospital Provider Survey.

Agency's Response: Agree. Implementation date: December 2013.

Agency's Written Response in Audit Report:

The manual referred to in Part b. will describe requirements for maintenance of supporting records. In addition, the vendor will conduct annual training for hospitals throughout the state.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

Implemented

Agency's Comments on Implementation Status of Recommendation:

Uniform Cost Report trainings were held for hospitals in March 2013 before the online system was launched, and annual trainings will be held each year hereafter. As part of the Uniform Cost Report certification process, hospitals attest that they will retain all supporting and backup documentation used to complete the Uniform Cost Report for seven years.

Recommendation #: 1d

Agency Addressed: Department of Health Care Policy and Financing

Original Recommendation in Audit Report:

The Department of Health Care Policy and Financing should ensure the Hospital Provider Fee Model is based on accurate, consistent, and reliable data by:

- d. Developing and implementing policies and procedures for an annual, risk-based review, to determine the accuracy and reliability of the self-reported data in the Hospital Provider Survey. The Department should also establish and implement procedures to take follow-up action with hospitals on data points in question, including, but not limited to, adjustments to future fees and payments for errors.

Agency's Response: Agree. Implementation date: December 2013.

Agency's Written Response in Audit Report:

The Department will develop policies and procedures to review submitted information for all hospitals for accuracy and to determine when an adjustment to assessed fees or payments will be made. In addition, the vendor will conduct annual desk reviews of submitted Uniform Cost Reports and supporting documentation for selection of hospitals each year.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

Implemented and Ongoing

Agency's Comments on Implementation Status of Recommendation:

The Department has developed a process to review information submitted by hospitals for reasonableness. Providers are asked to review questionable data and revise any erroneous data found during this ongoing review. The Department will be conducting an additional review of all provider reported data elements through a multiyear data comparison process. Data errors found after the finalization of the hospital provider fee model will warrant an adjustment to the provider's fees and/or supplemental payments, which will be reconciled within a reasonable adjustment period.

The Uniform Cost Report was launched in April 2013, and this is the first year of that new process. The Department's vendor has conducted desk reviews of selected hospitals. A summary of findings from those desk reviews is due mid-December 2013. The Department is evaluating the implementation of Uniform Cost Report system, and will continue to review and revise its policies and procedures as warranted after the implementation evaluation and on an ongoing basis.

Recommendation #: 2a

Agency Addressed: Department of Health Care Policy and Financing

Original Recommendation in Audit Report:

The Department of Health Care Policy and Financing and the Hospital Provider Fee Oversight and Advisory Board should improve the monitoring of the Hospital Provider Fee Program expansion population expenditures to ensure that the Department does not charge hospitals a hospital provider fee significantly greater than what is needed to cover the costs of the expansion population in the current model year. Specifically:

- a. The Department should provide quarterly updates to the Advisory Board comparing Model estimates for the expansion populations to the actual program expenditures for the expansion populations.

Agency's Response: Agree. Implementation date: March 2013.

Agency's Written Response in Audit Report:

On a quarterly basis, the Department will report the actual versus estimated fees and expenditures for expansion populations to the Advisory Board for their review and recommendation.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

Implemented

Agency's Comments on Implementation Status of Recommendation:

Beginning in December 2012, the Department is providing quarterly information to the Hospital Provider Fee Oversight and Advisory Board that compares actual and estimated fees and expenditures for Medicaid and Child Health Plan *Plus* (CHP+) expansion populations.

Recommendation #: 2b

Agency Addressed: Department of Health Care Policy and Financing

Original Recommendation in Audit Report:

The Department of Health Care Policy and Financing and the Hospital Provider Fee Oversight and Advisory Board should improve the monitoring of the Hospital Provider Fee Program expansion population expenditures to ensure that the Department does not charge hospitals a hospital provider fee significantly greater than what is needed to cover the costs of the expansion population in the current model year. Specifically:

- b. The Advisory Board should review the expansion population expenditures quarterly and, if necessary, make recommendations to the Department and the Medical Services Board about the need to revise the Hospital Provider Fee Model to ensure the amount collected for expansion populations more accurately reflects the expansion population costs, and if necessary consider mid-year adjustments to fees in the event it appears that the Department will significantly overcollect in a given year.

Agency's Response: Agree. Implementation date: March 2013.

Agency's Written Response in Audit Report:

The Advisory Board will review the actual expenditures for Medicaid and CHP+ expansions funded by hospital provider fees on a quarterly basis. The Advisory Board will make recommendations to the Department and the Medical Services Board as it finds necessary to ensure that fees collected are sufficient, but not significantly greater than needed, to fund expenditures for expansion populations.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

Implemented

Agency's Comments on Implementation Status of Recommendation:

On a quarterly basis, the Hospital Provider Fee Oversight and Advisory Board reviews estimated and actual expenditures for expansion populations and makes recommendations as needed to the Department and Medical Services Board to ensure sufficient, but not excessive, fees are collected to fund expansion populations.

Recommendation #: 3a

Agency Addressed: Department of Health Care Policy and Financing

Original Recommendation in Audit Report:

The Department of Health Care Policy and Financing (the Department) should improve the information security of the Provider Fee Model spreadsheet by:

- a. Restricting access to the Provider Fee Model spreadsheet to only those users who have a business need to access it.

Agency's Response: Agree. Implementation date: November 2012.

Agency's Written Response in Audit Report:

The Department will restrict access to the current hospital provider fee model to only those users who have a business need to access it immediately.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

Implemented

Agency's Comments on Implementation Status of Recommendation:

Access to alter the hospital provider fee model has been restricted to users who have a business need to do so.

Recommendation #: 3b

Agency Addressed: Department of Health Care Policy and Financing

Original Recommendation in Audit Report:

The Department of Health Care Policy and Financing should improve the information security of the Provider Fee Model spreadsheet by:

- b. Developing a method to track changes in the Provider Fee Model spreadsheet that allows the Department to document the history of changes made in the spreadsheet over time.

Agency's Response: Agree. Implementation date: October 2013.

Agency's Written Response in Audit Report:

The Department will identify and utilize a logging and/or versioning feature to track changes during model development beginning with the next model year.

Current Implementation Status of Recommendation (i.e., Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable):

Implemented and Ongoing

Agency's Comments on Implementation Status of Recommendation:

The Department has implemented processes to track versions of models and to document changes. The versioning is being achieved with the use of naming conventions and independent model versions. The Department is also keeping a log that documents the key changes that are made in a particular model. The Department will transition the hospital provider fee model to SharePoint and utilize that software's versioning capability after the Department's conversion to Office 365 is complete.