

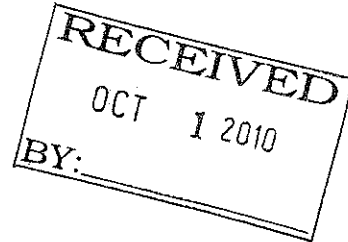


CHARLIE CRIST  
GOVERNOR

*Better Health Care for all Floridians*

ELIZABETH DUDEK  
INTERIM SECRETARY

September 29, 2010



Elizabeth Dudek, Interim Secretary  
Agency for Health Care Administration  
2727 Mahan Drive  
Tallahassee, FL 32308

Dear Secretary Dudek,

Please find enclosed our six-month status report on the Auditor General's Audit of *Agency Operational – Medicaid Facility Reimbursement Rates 2010-189*, issued March 2010. This status report is issued in accordance with the statutory requirement to report on corrective actions resulting from the Auditor General's recommendations six months from the report date.

If you have any questions about this status report, please contact Mary Beth Sheffield at 412-3978.

Sincerely,

Pete Williams  
Inspector General

PW/dr  
Enclosure

cc: Kathy DuBose, Legislative Auditing Committee  
Roberta Bradford, Secretary, Division of Medicaid



Agency For Health Care Administration  
 Bureau of Internal Audit  
 6th Month Follow Up Table  
 Auditor General Report #2010-189, Agency Operational – Medicaid Facility Reimbursement Rates

Finding #1	Recommendation	Management Response as of March 22, 2010	Status as of September 22, 2010	Anticipated Completion Date & Contact
<p>The Agency did not always calculate Medicaid reimbursement rates for hospitals and intermediate care facilities for the developmentally disabled (ICF-DDs) in accordance with established procedures and instructions.</p>	<p>The Agency should ensure that rates are calculated in accordance with established policy. The Agency should also enhance controls to ensure that calculations are performed correctly and based on complete cost reports submitted by the facility. Furthermore, the Agency should ensure that all manual profile sheets are reviewed by a second person to ensure that reimbursement rates are calculated using accurate information. Any corrections needed should be verified by the reviewer.</p>	<p>The Agency has and is continuing to ensure that all providers' rates are calculated in accordance with State and Federal policy. The Medicaid Cost Reimbursement Planning Administrator (MCRP Administrator) conducts a review process and signs each rate letter prior to distributing them to the hospital, ICF/DD and the Medicaid Fiscal Intermediary. The review process includes reviewing the manual profile sheet, rate computations, rate letter and the cost report (which produces the manual profile sheet, rate computations and rate letter). The Agency will continue to calculate Medicaid reimbursement rates for hospitals and ICF/DDs in accordance with established procedures and instructions.</p>	<p>The review process has always included the practice that all manual profile sheets are reviewed by a second person (supervisor) to ensure that reimbursement rates are calculated using the reported information. The second reviewer now signs the manual profile sheet.</p>	<p>Completed                      July 1, 2010                      Michele Morgan                      (850) 412-4075</p>

**Agency For Health Care Administration**  
**Bureau of Internal Audit**  
**6th Month Follow Up Table**  
**Auditor General Report #2010-189, Agency Operational – Medicaid Facility Reimbursement Rates**

Finding #2	Recommendation	Management Response as of March 22, 2010	Status as of September 22, 2010	Anticipated Completion Date & Contact
<p>The Agency calculated Medicaid reimbursement rates for hospitals and ICF-DDs using cost reports accepted after the deadline for cost report submission.</p>	<p>The Agency should enhance controls to ensure that Medicaid reimbursement rates are calculated using the correct cost report, in accordance with Medicaid policy and Florida law.</p>	<p>The Hospital Reimbursement Plan states each hospital shall submit a cost report 5 months after the close of its cost-reporting year; however, the Plan also states, all cost reports received by AHCA by April 15 and October 15 respectively shall be used to establish the reimbursement ceilings (rates). The Agency disagrees with the finding that ICF/DD cost reports were accepted after the filing deadline. The Agency has confirmed that the original cost reports were submitted prior to the established deadline. The Medicaid policy regarding amended/revised cost report is that the original cost report filing date is the factor for determining if a cost report is late.</p>	<p>The SPA which will be effective July 1, 2010 will be submitted to CMS by September 30, 2010. This SPA contains language regarding the definition of filing deadline and the rate setting deadline. These definitions provide more clarification of the Medicaid policy regarding the deadline for cost report submission and the deadline for cost reports to be used to calculate reimbursement rates.</p>	<p>Pending Federal CMS approval  Michele Morgan  (850) 412-4075</p>

Agency For Health Care Administration  
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 6th Month Follow Up Table  
 Auditor General Report #2010-189, Agency Operational – Medicaid Facility Reimbursement Rates

Finding #3	Recommendation(s)	Management Response as of March 22, 2010	Status as of September 22, 2010	Anticipated Completion Date & Contact
<p>The Agency did not always enter reimbursement rates into the Florida Medicaid Management Information System (FMMS) prior to the effective date of the rate, resulting in claims being reimbursed at the previous rate. In addition, retroactive rate adjustments did not take into consideration required copayments, and overpayments were made.</p>	<p>The Agency should enhance controls to ensure that reimbursement rates are entered into FMMS prior to the rates' effective dates. The Agency should also ensure that claims are paid in the correct amount, considering any copayments required from the recipient. In addition, the Agency should identify overpayments related to copayments that resulted from retroactive rate adjustments and initiate actions to recoup the applicable amounts from providers.</p>	<p>The Bureau of Medicaid Program Analysis (MPA) has and will continue to ensure that providers' rates are submitted to MCM in a timely fashion in order to ensure that reimbursement rates are entered into FMMS prior to the rate effective dates. The Agency is aware of issues regarding the overpayment to providers of copayments when retroactive rate adjustments are generated and CSR 1236 was created on July 29, 2009 and implemented into production October 5, 2009. The CSR corrected the business rules used in FMMS to process retroactive claim adjustments for claims with copayments. The Agency will initiate actions to identify and recoup any overpayments made to providers due to this issue.</p>	<p>The Task, Change Order, associated with CSR 1236 has a priority ranking of "2" and will be installed into production in November or early December 2010. When installed overpayments will be recouped.</p>	<p>December 2010                      Alan Strowd                      (850) 412-4002</p>

Agency For Health Care Administration  
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 Auditor General Report #2010-189, Agency Operational – Medicaid Facility Reimbursement Rates

Finding #4	Recommendation(s)	Management Response as of March 22, 2010	Status as of September 22, 2010	Anticipated Completion Date & Contact
<p>Hospitals, ICF-DDs, and nursing homes did not always submit cost reports to the Agency within the required timeframes.</p>	<p>The Agency should revise the Medicaid State Plan to either develop new punitive measures, such as rate reductions, or enforce existing measures to ensure the timely submission of cost reports to the Agency.</p>	<p>The Bureau of Medicaid Program Analysis (MPA) is currently working with the Bureau of Medicaid Program Integrity and Office of the Inspector General to make a rule change to 59G-9.070 to establish punitive fines for providers who are not filing a timely cost report for rate setting.</p>	<p>The SPA which will be effective July 1, 2010 will be submitted to CMS by September 30, 2010. This SPA contains language regarding punitive measures which includes fines for providers who are not filing a timely cost report for rate setting.</p>	<p>Pending Federal CMS approval          Michele Morgan          (850) 412-4075</p>

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**Bureau of Internal Audit**  
**6th Month Follow Up Table**  
**Auditor General Report #2010-189, Agency Operational – Medicaid Facility Reimbursement Rates**

Finding #5	Recommendation(s)	Management Response as of March 22, 2010	Status as of September 22, 2010	Anticipated Completion Date & Contact
<p>Agency monitoring of the contract with First Coast Service Options, Inc., for hospital cost report audits was not sufficient.</p>	<p>The Agency should require that FCSCO adhere to all contract provisions, including the submission of all required reports. In addition, to gain increased assurance that the audits are performed in accordance with the contract, the Agency should consider increasing the level of detail review employed during annual contract monitoring. Also, prior to entering into another hospital cost reports audit contract, the Agency should consider performing a cost analysis to evaluate the competitiveness of proposed rates or competitively procuring the services.</p>	<p>The Agency is amending the FCSCO contract to more accurately reflect the status reports being employed. FCSCO is submitting monthly reports of work submitted and an updated status of the budget to actual work completed. The contract monitoring for 2009-10 fiscal year will be completed during the contract period. The Agency will consider increasing the number of audits for a full working paper review. The Agency is currently exploring options to lower the hourly rate for the hospital cost report audit contract that will allow for increased audit hours when the contract is renewed.</p>	<p>The Agency has amended the FCSCO contract to reflect the status reports employed. The contract monitoring for 2009-10 fiscal year was completed and issued in June 2010. The Agency will consider increasing the number of audits for a full working paper review for the next monitoring. The Agency has renewed the contract until March 31, 2011 and intends to competitively procure the services for the next contract.</p>	<p>June 30, 2011 Michele Morgan (850) 412-4075</p>

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Finding #6	Recommendation(s)	Management Response as of March 22, 2010	Status as of September 22, 2010	Anticipated Completion Date & Contact
<p>Facility reimbursement rate changes resulting from cost report audit adjustments were either not calculated or were calculated but not processed by the Agency.</p>	<p>The Agency should implement procedures to ensure that new ICF-DD rates are calculated when audit reports on ICF-DD cost reports are released. Furthermore, the Agency should enhance policies and procedures to ensure that cost report audits procured by the Agency are timely processed and that any rate changes resulting from cost report audits are timely calculated, entered into FMMS, and retroactively applied.</p>	<p>Currently, there are procedures in place to ensure that new ICF/DD rates are calculated when audit reports on ICF/DD cost reports are released; however, the delay in processing the current audit is based solely on staff turnover within the unit. We are currently at full staff and the pending audits have been assigned to an analyst. In addition, procedures have been put in place regarding facilities undergoing a change of ownership. For an ICF-DD undergoing a change of ownership, the Licensure process consists of verifying outstanding audits and/or pending rate adjustments based on cost reports. A facility license will not be issued until these outstanding issues have been resolved with the old owner and new owner, with regard to repayment of any outstanding Medicaid liens.</p>	<p>The remaining audits have been assigned to an ICF analyst for reviewing and revising the rate, if necessary.</p>	<p>December 31, 2010                      Michele Morgan                      (850) 412-4075</p>