



RICK SCOTT
GOVERNOR

ELIZABETH DUDEK
SECRETARY

January 8, 2014

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

Dear Secretary Dudek,

Enclosed please find our six-month status report on the Auditor General's *Operational Audit of the Agency for Health Care Administration, Prior Audit Follow-up*, Report Number 2014-001, issued July 2013. 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,

Eric W. Miller
Inspector General

EWM/szg

Enclosure: Six-Month Status Report of AG Report# 2014-001

cc/enc: Kathy DuBose, Joint Legislative Auditing Committee
Justin Senior, Deputy Secretary, Division of Medicaid
Tonya Kidd, Deputy Secretary, Division of Operations



Florida Agency for Health Care Administration
Auditor General Operational Audit – AHCA Prior Audit Follow-up (Report# 2014-001)
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Finding# 1	Recommendation	Management Response as of July 2, 2013	Status of Finding as of January 8, 2014	Comments and Agency Contact
<p>Reimbursement Rate Calculations. The Agency’s instructions for the calculation of Medicaid reimbursement rates for hospitals were not up-to-date. Additionally, the Agency did not always document a second-person review of the manual profile sheets used in the calculation of Medicaid reimbursement rates for intermediate care facilities for the developmentally disabled (ICF-DD).</p>	<p>We recommend that the Agency ensure that manual profile sheets evidence review by a second person. In addition, the Agency should ensure that the instructions to be used in the calculation of reimbursement per diem rates are reliable and up-to date.</p>	<p>Medicaid Program Finance Unit is and has always calculated Medicaid reimbursement rates for hospitals in accordance with the approved Florida Title XIX Inpatient Hospital Reimbursement Plan, as incorporated by reference in Rule 59G-6.020, Florida Administrative Code. This document defines the methodologies used by the Florida Medicaid Program in establishing individual hospital reimbursement rates. The instructions that were provided for the Auditor General’s audit are only “in-house” instructions which are used for training new staff and are general instructions. These instructions are not promulgated as an Administrative Rule.</p> <p>The Agency has and will continue to ensure that all providers’ rates are calculated in accordance with State and Federal policy as outlined in the Reimbursement Plan. This includes but is not limited to reviewing all manual profile sheets. The Agency will also review the “in-house” instructions which are used for training new staff and make any updates necessary.</p> <p><u>Manual Profile Sheets</u> All profile sheets are reviewed at least by</p>	<p>Fully Corrected</p>	<p>The Agency is continuing to ensure that the manual profile sheets are signed by the second reviewer. The internal training document has been updated.</p> <p>Completion Date: August 1, 2013</p> <p>Tom Wallace (850) 412-4117</p>

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		<p>a second person to ensure accuracy. When profile sheets are completed by a Regulatory Analyst (he/she signs the profile sheet), the profile sheet is reviewed by the Program Operational Administrator and the Regulatory Analyst Supervisor. The Regulatory Analyst Supervisor is the only individual which signs the rate letter, which indicates the profile sheet has been reviewed and is accurate with the current rate being correct. All 100% of the manual profile sheets that are prepared by the Regulatory Analyst are reviewed for accuracy by the Program Operational Administrator. When profile sheets are completed by the Program Operational Administrator (he/she signs the profile sheet), the profile sheet is reviewed by the Regulatory Analyst Supervisor and the rates are approved and signed. The lack of a tick mark or second initial on a profile sheet does not mean it was not reviewed by a second person.</p> <p>The Program Operational Administrator and/or the Regulatory Analyst Supervisor will sign each manual profile sheet completed by the Regulatory Analyst or Program Operational Administrator to document a second-person review of the</p>		

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		manual profile sheets used in the calculation of Medicaid reimbursement rates.		

Finding# 2	Recommendation	Management Response as of July 2, 2013	Status of Finding as of January 8, 2014	Comments and Agency Contact
Rates Not Timely Entered Into FMMIS. The Agency did not always enter reimbursement rates into the Florida Medicaid Management Information System (FMMIS) prior to the effective date of the rates and, as a result, did not always reimburse claims at the correct rates.	We again recommend that the Agency enhance controls to ensure that new and adjusted reimbursement rates are entered into FMMIS prior to the rates' effective dates.	Medicaid Program Finance has and will continue to ensure that providers' rates are submitted to MCM in a timely fashion to ensure that reimbursement rates are entered into FMMIS prior to the rate effective dates. One hindrance that could prevent this from occurring is the fact that all rate calculations for all institutional provider reimbursements are reviewed by their respective industries or association prior to Medicaid Program Finance submitting the rates to Medicaid Contract Management for processing. This is a practice that has always occurred. The Agency wants the	Fully Corrected	The Agency has always and continues to ensure new rates are submitted in a timely fashion prior to the effective date, subject to deferrals caused by legal action. Any rates submitted after the effective date will be automatically adjusted by our Fiscal Agent for the retroactive payments to the effective date. Completion Date: August 1, 2013 Tom Wallace (850) 412-4117

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		<p>industry to review the rates and bring up any concerns they may have prior to release. This process does occur in advance of the effective date but this potentially could cause delays depending on the review. It should be noted that the industry is aware that a delay would cause the claims to be reimbursed at the old rate. Medicaid Program Finance normally gives the industries one week to review the rates. In addition, if any rates are entered into FMMIS after the effective date, this action should result in a retroactive rate adjustment. This process ensures the providers are paid at the new rates.</p>		

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Finding# 3	Recommendation	Management Response as of July 2, 2013	Status of Finding as of January 8, 2014	Comments and Agency Contact
<p>Cost Report Audit Adjustments. The Agency did not always calculate and timely process facility reimbursement rate changes resulting from cost report audit adjustments.</p>	<p>To ensure that improper reimbursement rates are timely identified and corrected, we again recommend that the Agency calculate reimbursement rates when cost report audits are reviewed and released. Additionally, we recommend that the Agency strengthen policies and procedures to ensure that rate adjustments are timely calculated, entered into FMMIS, and retroactively applied.</p>	<p><u>Nursing Homes</u> The Agency does not complete cost report audit adjustments until all administrative action is legally concluded. This has allowed the Agency to speed up the time frame in which the audit adjustments are completed and any retroactive adjustments are calculated and recouped. By requiring a final order to be issued before retroactive adjustments are calculated, the Agency has limited the point of challenge of an audit to a single occurrence. Prior to the policy of requiring a final order before retroactive adjustments were calculated, providers challenged audits at issuance, at rate adjustment calculation, and at recoupment. The Agency has also taken steps to reduce the amount of time it takes for cost reports to be submitted by streamlining the Change of Ownership process. Previously, providers submitted all documents related to licensure at one date and then months later submitted the necessary documents for Medicaid enrollment. Now all documents related to licensure and Medicaid enrollment are requested together and the Change of Ownership process is completed sooner. This allows the Agency to collect the initial cost report and begin the audit</p>	<p>Fully Corrected</p>	<p>The Agency continues to complete cost report audit adjustments after all administrative action is legally concluded. The Agency has been able to speed up the time frame in which audit adjustments are completed and any retroactive adjustments are calculated and recouped. Furthermore, Nursing Home staff reviews monthly all rates previously sent to the Fiscal Agent to ensure that they have been entered correctly. Rates not updated or updated incorrectly are addressed with Medicaid Contract Management and the Fiscal Agent immediately in order to resolve any issues.</p> <p>Completion Date: August 1, 2013</p> <p>Tom Wallace (850) 412-4117</p> <p>As previously indicated, CO 18065 was implemented in January 2013, and the Agency has since reprocessed claims for the affected time period.</p> <p>Completion Date: May 31, 2013</p>

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		<p>process sooner.</p> <p>Concerning the nine ICF-DDs identified in the finding that did not have their claims reprocessed at the revised rates, a system issue prevented the reprocessing of claims for certain time periods. However, CO 18065 was implemented in January 2013, and the Agency has since reprocessed the claims for the affected time period.</p>		<p>Brian Meyer (850) 412-3446</p>

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Finding# 4	Recommendation	Management Response as of July 2, 2013	Status of Finding as of January 8, 2014	Comments and Agency Contact
<p>Procedures to Detect a Conflict of Interest. The Agency should continue efforts to enhance policies and procedures to ensure that there are no conflicts of interest (COI) for employees involved in the contract procurement and management processes.</p>	<p>The Agency should continue efforts to enhance policies and procedures by requiring that all employees involved in the procurement and contract management processes prepare COI questionnaires.</p>	<p>The Agency will continue to enhance its policies and procedures to ensure that there are no conflicts of interest for employees involved in the contract procurement and management processes. The Agency will ensure all individuals involved in the contracting process complete a COI questionnaire when a requisition is created for a Vendor in MyFloridaMarketPlace. The Agency will continue to utilize the Contract Initiation Form to ensure COI questionnaires are completed when new contracts are developed.</p>	<p>Fully Corrected</p>	<p>The COI form was updated January 2013, and the COI questions were added to the contract initiation form in 2011.</p> <p>Completion Date: January 2013</p> <p>Lance Dyal (850) 412-3895</p> <p>Jennifer Barrett (850) 412-3887</p>

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Finding# 5	Recommendation	Management Response as of July 2, 2013	Status of Finding as of January 8, 2014	Comments and Agency Contact
<p>Contract Monitoring Plans. Contract Monitoring Plans did not always include all the information required by the Agency’s Contract Monitoring Plan Form Instructions. In addition, Contract Monitoring Plan Forms were not always appropriately signed and dated when prepared and approved.</p>	<p>The Agency should continue efforts to ensure that all Contract Monitoring Plans specify the items or deliverables to be monitored and include a summary plan of action should deficiencies be noted during monitoring. The Agency should also ensure that all Contract Monitoring Plan Forms are signed and dated when prepared and approved.</p>	<p>The Agency will ensure all Contract Monitoring Plan Forms specify the items or deliverables to be monitored and are signed and dated when they are received in the Procurement Office with new contract packages. The Agency will also continue its efforts to ensure Contract Monitoring Plans contain a summary plan of action should deficiencies be noted during monitoring. The Procurement Office will review this information during its annual contract manager file reviews.</p> <p>In addition, the Procurement Office will include in its contract manager training, the importance of documenting contract monitoring and including plans of action when deficiencies are noted during monitoring.</p>	<p>Fully Corrected</p>	<p>The Contract Monitoring Plan Form was updated in December 2013 to allow for documentation of monitoring information on a more regular basis to comport with the monitoring schedule.</p> <p>Completion Date: December 2013</p> <p>Lance Dyal (850) 412-3895</p> <p>Jennifer Barrett (850) 412-3887</p>

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Finding# 6	Recommendation	Management Response as of July 2, 2013	Status of Finding as of January 8, 2014	Comments and Agency Contact
<p>NET Program Contract Cost Management. The Agency should ensure that sufficient information is obtained and maintained to document that administrative fees paid related to Non-Emergency Transportation (NET) Program services were reasonable and did not result in a profit between State agencies.</p>	<p>We recommend that the Agency monitor the Commission for the Transportation Disadvantaged (CTD) administrative costs and maintain documentation to demonstrate that the NET Program contract rates are reasonable and do not result in a profit between State agencies.</p>	<p>On April 24, 2013, the Agency initiated corrective action with the CTD. As such, the CTD will be submitting documentation to verify the actual transfer of funds to their vendors throughout the state. Documentation of the transfer of funds from the CTD to the subcontractors (vendors) will verify that the CTD is not retaining an excessive amount of funds for their administrative costs. This issue will be reviewed at the scheduled annual contract monitoring on May 14-15, 2013, as an ongoing, annual requirement for contract compliance.</p>	<p>Fully Corrected</p>	<p>Agency staff met with the auditor and determined the actual issue in the finding entailed the CTD not having a detailed record of the transfer of funds from the CTD to the community transportation coordinators (CTD's subcontractors). This was confirmed with the auditor who then met with CTD staff to review and accept monthly journal transfers that record these transactions. The Agency Contract Manager has included review of these records as an item for annual monitoring visits. The records were in order at the May 2013 on-site contract monitoring.</p> <p>Completion Date: May 31, 2013</p> <p>Susan Hamrick (850) 412-4210</p>

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Finding# 7	Recommendation	Management Response as of July 2, 2013	Status of Finding as of January 8, 2014	Comments and Agency Contact
Tangible Personal Property Inventory Procedures. The Agency needs to update its Property Manual and continue efforts to improve the timeliness of the tangible personal property (TPP) physical inventory and related reconciliation process.	We recommend that the Agency update its Property Manual to comply with the Department of Financial Services (DFS) Rules and continue efforts to improve the timeliness of the TPP physical inventory and related reconciliation process.	The Agency has updated the Property Manual to comply with DFS Rules effective May 2013. The Agency will also continue to work with staff in order to improve the timeliness of the TPP physical inventory and related reconciliation process.	Fully Corrected	Completion Date: May 2013 Jimmy Taliaferro (850) 412-3924 Jennifer Barrett (850) 412-3887

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Finding# 8	Recommendation	Management Response as of July 2, 2013	Status of Finding as of January 8, 2014	Comments and Agency Contact
<p>Property Recording and Inventory. The Agency did not always timely and accurately update tangible personal property records for property acquisitions and transfers.</p>	<p>We recommend that the Agency continue efforts to ensure that property records are timely and accurately updated for property acquisitions and transfers.</p>	<p>The Agency will continue its efforts to ensure that property records are timely and accurately updated for property acquisitions and transfers by continuous follow-up with staff until property records are accurate and complete.</p>	<p>Fully Corrected</p>	<p>Completion Date: Fully Completed</p> <p>Jimmy Taliaferro (850) 412-3924</p> <p>Jennifer Barrett (850) 412-3887</p>