



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH

JAMES K. HAVEMAN
DIRECTOR

September 20, 2012

Mr. Doug Ringler
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are the preliminary summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of the Hospital and Health Plan Reimbursement Division.

Questions regarding the summary table or corrective action plans should be directed to me at (517) 373-1508 or Myersp3@michigan.gov.

Sincerely,

Signature Redacted

Pam Myers, Director
DCH Office of Audit

Enclosure

Cc: Office of the Auditor General
House Fiscal Agency
Senate Fiscal Agency
Executive Office
DCH, James K. Haveman
DCH, Timothy Becker
DCH, Karla Garcia

House Appropriations Committee
House Standing Committee
Senate Appropriations Committee
Senate Standing Committee
DCH, Nick Lyon
DCH, Sherri Gensterblum

PERFORMANCE AUDIT OF THE
HOSPITAL AND HEALTH PLAN REIMBURSEMENT DIVISION

DEPARTMENT OF COMMUNITY HEALTH

NOVEMBER 2011

AUDIT RESPONSE

Approved: Timothy J. Becker
Timothy Becker, Senior Deputy Director
Department of Community Health, Operations Administration

Date: 08/08/2012



AUDIT REPORT SUMMARY

DEPARTMENT: Community Health

AUDIT PERIOD: October 1, 2008 – July 31, 2011

REPORT DATED: November 18, 2011

DISPOSITION OF AUDIT RECOMMENDATIONS

| <u>CITATIONS COMPLIED WITH</u> | <u>CITATIONS TO BE COMPLIED WITH</u> | <u>CITATIONS DCH DID NOT AGREE WITH</u> |
|------------------------------------|--|---|
| | Finding 1 | |
| | Finding 2 | |
| | Finding 3 | |
| Finding 4 | | |

**Audit Response
Performance Audit
Hospital and Health Plan Reimbursement Division
Department of Community Health
October 1, 2008 through July 31, 2011**

Recommendation 1: MIP Process Reevaluation

OAG recommended that Hospital and Health Plan Reimbursement Division (HHPRD) reevaluate the use of a semimonthly interim payment method as a means for reimbursing hospitals.

Response:

MDCH agreed with the recommendation to reevaluate the use of a semimonthly interim payment method as a means for reimbursing hospitals. MDCH has established an industry workgroup consisting of State Policy, Customer Service, Hospital Clinic and Reimbursement, and Actuarial Divisions as well as representatives from hospitals that receive 80% of the Medicaid semimonthly interim payments (MIP). MDCH has held multiple internal meetings and one public meeting with an additional public meeting expected before the end of the fiscal year to discuss the issue. The workgroup expects conclusions by the end of calendar year 2012.

Recommendation 2: FQHC and RHC Reimbursement Process

OAG recommended that HHPRD pursue an update to CHAMPS to allow FQHCs and RHCs the ability to submit billings and receive payment for fee-for-service Medicaid beneficiaries at the PPS rate.

Response:

MDCH agreed with the recommendation to pursue an update to CHAMPS to allow FQHCs and RHCs the ability to submit billings and receive payment for fee-for-service beneficiaries at the PPS rate. MDCH is in the beginning stages of discovery and policy review. Public workgroups are in the planning stages. Because of the numerous variables within this project, including significant changes to the entire reimbursement methodology, at this time a compliance date cannot be estimated.

Recommendation 3: Internal Control Over Cost Settlements

OAG recommended that HHPRD improve control procedures to monitor the status of outstanding and in-process cost settlements for FQHCs, RHCs, and SBS providers.

Response:

DCH agreed with the recommendation that enhancements are necessary to the CardFile report used to track the status of outstanding and in-process cost settlements for FQHCs, RHCs, and SBS providers so that cost settlement action can be more thoroughly monitored. The Hospital Clinic Reimbursement Division (HCRD), formerly HHPRD is creating a report that will monitor the status of outstanding and in process settlements for RHC, FQHC, and SBS. HCRD has held

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multiple meetings to determine the expectations of the report. HCRD expects completion of the report by the end of October 2012.

Recommendation 4: SBS Cost Settlement Process

OAG recommended that HHPRD establish sufficient controls over the SBS cost settlement process.

Response:

DCH agreed that there are opportunities for improvement in the controls over the SBS cost settlement process. HCRD now receives an electronic version of the finalized cost reports directly from Michigan Department of Education for the school fiscal years. This allows for the efficient processing of yearly desk reviews.