Michigan

Office of the Auditor General

REPORT SUMMARY

Performance Audit

Long-Term Care Nursing Facility Medicaid Reimbursement and Rate Setting Process

Department of Community Health

Report Number:
391-0570-11

Released:
April 2012

The Department of Community Health (DCH) administers the Medicaid cost reporting, rate setting, and reimbursement settlement for long-term care for nursing facility providers. DCH coordinates the annual review of cost reports and sets the Medicaid reimbursement per diem rates for the approximately 440 nursing facilities. DCH expended $1.58 billion and $1.68 billion in fiscal years 2008-09 and 2009-10, respectively, related to long-term care for nursing facility providers.

Audit Objective:
To assess the effectiveness of DCH's efforts to ensure a timely and accurate rate setting process for long-term care at nursing facilities.

Audit Conclusion:
We concluded that DCH's efforts were moderately effective in ensuring a timely and accurate rate setting process. We noted one reportable condition (Finding 1).

Reportable Condition:
DCH did not always maintain documentation of the justification for and preapproval of the providers' use of an alternative statisical basis for allocation of general service costs (Finding 1).

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Audit Objective:
To assess the effectiveness of DCH's efforts to ensure a timely and accurate cost settlement process for long-term care at nursing facilities.

Audit Conclusion:
We concluded that DCH's efforts were moderately effective in ensuring a timely and accurate cost settlement process for long-term care at nursing facilities. We noted two reportable conditions (Findings 2 and 3).

Reportable Conditions:
DCH did not ensure completion of audits of cost reports for Medicaid long-term care facilities in a timely manner and did not perform on-site audits at least once every four years (Finding 2).

DCH did not cost settle cost reports for Medicaid long-term care facilities in a timely manner (Finding 3).

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Audit Objective:
To assess the effectiveness of DCH's efforts to evaluate alternative reimbursement methodologies for long-term care at nursing facilities.

Audit Conclusion:
We concluded that DCH's efforts were effective in evaluating alternative reimbursement methodologies for long-term care at nursing facilities. Our audit report does not include any reportable conditions related to this audit objective.

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Agency Response:
Our audit report includes 3 findings and 3 corresponding recommendations. DCH's preliminary response indicates that it agrees with all 3 recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

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