



# MEDICAID HOSPITAL PROVIDER FEE PROGRAM

## Performance Audit, September 2012 Report Highlights



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### PURPOSE

Evaluate the Hospital Provider Fee Program to determine the Program's compliance with federal and state laws, and assess the reliability of data used in the Hospital Provider Fee Model to calculate the fees paid by hospitals and supplemental payments made to hospitals.

### BACKGROUND

- House Bill 09-1293, the Colorado Health Care Affordability Act, allowed the Department to implement the Hospital Provider Fee Program and to assess fees on all licensed or certified hospitals in the state.
- Hospital provider fees are used to increase reimbursement to hospitals for providing care under the State medical assistance program, increase the number of individuals eligible for the State medical assistance program, and cover the state's administrative expenses for implementing the Program.

### OUR RECOMMENDATIONS

The Department should:

- Improve the accuracy, reliability, consistency, and oversight of the data used to determine hospital provider fees and supplemental payments.
- Provide the Advisory Board with quarterly updates on the expansion population expenditures to ensure that hospital provider fees collected do not significantly exceed the amount needed to support the expansion population expenditures.
- Restrict user access to the Provider Fee Model spreadsheet by eliminating users who do not have a business need to access the spreadsheet and add a method to track changes in the spreadsheet.

The Department agreed with all recommendations.

### AUDIT CONCERN

**The Department should ensure the Hospital Provider Fee Model is based on accurate, consistent, and reliable data, and should work with the Advisory Board to ensure it does not collect significantly more in provider fees than is needed to fund the Program each year.**

### KEY FACTS AND FINDINGS

Overall, the Department's administration of the Program is in compliance with applicable federal and state laws. We identified the following improvements the Department and the Advisory Board could make to better achieve the Program's goals.

- The Department relies, in part, on self-reported hospital data to determine the hospital provider fees hospitals must pay and the supplemental payments hospitals receive each year. These self-reported hospital data are not always accurate, consistent, or reliable. In one case, inaccurately reported data resulted in a hospital receiving a supplemental payment of \$428,200 that it should not have received. Additionally, 24 (45 percent) of the 53 data points self-reported by hospitals varied by greater than 10 percent from the same data points reported in audited Medicare cost reports. Finally, three (30 percent) of the 10 hospitals in our sample could not provide supporting documentation for one or more of the 221 data points reported in one or more years.
- The Department collected significantly more in hospital provider fees than it needed to fund the Program during the first two Model years. The majority of the overcollections in the first two years are attributable to the Department's overestimation of the amount of provider fees needed to fund the expansion populations. The Department collected \$25.6 million and \$13 million more in fees to pay for expansion services than it spent on the expansion population in Model Years 1 and 2, respectively. Model Year 3 will not be complete until September 30, 2012; however, the Department estimated expansion costs of \$105.4 million for Model Year 3 and as of June 30, 2012, which represents three quarters of Model Year 3, it had expended approximately \$50.3 million for the expansion populations.
- The Department does not have adequate controls to restrict unnecessary user access to the Provider Fee Model spreadsheet to ensure that the calculations and data in the Provider Fee Model are sufficiently controlled. Specifically, 12 Department staff, with no business need to access the Provider Fee Model spreadsheet, have full access to the spreadsheet. In addition, the Department does not have a method for tracking changes in the spreadsheet used for the Provider Fee Model.