

STATE OF COLORADO



Colorado Department of Human Services

people who help people

EXECUTIVE DIRECTOR
Reggie Bicha

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John W. Hickenlooper
Governor

Reggie Bicha
Executive Director

July 8, 2014

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman Street, 7th Floor
Denver, CO 80203

Dear Ms. Ray:

Dianne

The Colorado Department of Human Services received your request dated May 29, 2014 to report on the implementation status of audit recommendations contained in the November 2013 *Regional Centers for People with Developmental Disabilities Performance Audit*. The enclosed status report provides a brief description of the actions taken by the Department to implement each recommendation.

If you have questions related to the status report, please contact Viki Manley at (303) 866-4408 or viki.manley@state.co.us. Tracy Myszak, the new Director of the Division of Regional Center Operations, starts on July 14, 2014 and will be available for questions after that date. Department representatives will attend the August 25, 2014 Legislative Audit Committee hearing to present the enclosed status report.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Nikki Hatch', with a long horizontal flourish extending to the right.

Nikki Hatch
Deputy Executive Director

Enclosure

cc: Reggie Bicha, Executive Director
Viki Manley, Director, Office of Community Access and Independence
Melissa Wavelet, Director, Office of Performance and Strategic Outcomes
Sarah Aurich, Deputy Director, Office of Community Access and Independence
Tracy Myszak, Director, Division of Regional Center Operations
Charissa Hammer, Director, Audit Division
Mette Boes, Internal Audit Manager

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Regional Centers for People with Developmental Disabilities Performance Audit,
November 2013

AUDIT NUMBER: 2202

DEPARTMENT: Department of Human Services

DATE: June 30, 2014

SUMMARY INFORMATION

Recommendation Number	Agency's Response	Original Implementation Date	Implementation Status	Revised Implementation Date <i>(if applicable)</i>
1a	Agree	April 2014	Implemented and Ongoing	
1b	Agree	March 2014	Implemented and Ongoing	
2a	Agree	July 2014	Implemented and Ongoing	
2b	Agree	July 2014	Implemented and Ongoing	
2c	Agree	July 2014	Implemented	
3	Agree	July 2014	Partially Implemented	
5a**	Agree	June 2014	No Longer Applicable**	
5b**	Agree	June 2014	No Longer Applicable**	
6a**	Agree	March 2014	No Longer Applicable**	
6b**	Agree	January 2014	No Longer Applicable**	
6c**	Agree	December 2013	No Longer Applicable**	
7	Agree	July 2014	Implemented	
9a	Agree	December 2013	Implemented	
9b	Agree	December 2013	Implemented	
9c	Agree	January 2014	Implemented	
10a	Agree	January 2014	Implemented	
10b	Agree	December 2013	Implemented	
10c	Agree	January 2014	Implemented	
11a	Agree	January 2014	Implemented	
11b	Agree	March 2014	Implemented	
11c	Agree	March 2014	Implemented	
11d	Agree	March 2014	Implemented	

**** Audit Recommendations moved to the Department of Health Care Policy and Financing (HCPF) when the Division for Developmental Disabilities moved to HCPF on February 3, 2014.**

DETAIL OF IMPLEMENTATION STATUS

Note: The Department of Human Services agreed with all audit recommendations.

RECOMMENDATION NO. 1:

The Department of Human Services should improve its monitoring and analysis of regional center costs to ensure efficient use of State and federal resources by:

- a. Producing annual reports that compare the costs of the regional centers with consistent categories and using those cost reports to analyze the reasons for cost variances among the regional centers. Analysis should include evaluating the expense categories that are most responsible for cost variances and determining how differences in operations drive costs, including the costs for direct care staff.

Current Implementation Status for Rec. No. 1, part a: Implemented and Ongoing. **Agency's Update:** The Division for Regional Center Operations (Division) developed separate budgets for State Fiscal Year (SFY) 2015 for the Wheat Ridge Regional Center, the Pueblo Regional Center, the Grand Junction Regional Center ICF/IID, and the Grand Junction Regional Center HCBS-DD Program. Each Regional Center budget is based on consistent cost centers and a standardized reporting format for easy comparison between the Regional Centers. Beginning in SFY 2015, the Regional Centers are reporting to Division and Office management monthly, as well as at the end of each year, on the status of the budgets and explaining any significant budget variances and plans for mitigation if applicable. Additionally, we are now using the budget documents to evaluate and compare costs between our waiver programs and also to compare costs between our ICF/IID programs, and to identify cost variances and opportunities for cost savings. Any cost efficiencies that we identify are taken into consideration for future budgets, or budget adjustments as needed.

- b. Using the cost analyses completed in part "a" to inform and develop regional center budgets, inform the appropriations request for the regional centers, and identify and implement opportunities for cost savings.

Current Implementation Status for Rec. No. 1, part b: Implemented and Ongoing. **Agency's Update:** The budgets and ongoing cost analysis are used to make adjustments to the Department's current and future budgets and appropriation requests, and any cost savings will be taken into consideration. The Department is in the process of beginning to compile decision items for the SFY 2016 budget request and evaluating the SFY 2015 budgets compared to the appropriations to ensure that the appropriation is in alignment with the budgets. The Department will pursue budget action, as needed, to ensure that our internal budgets align with the Division's appropriation. In addition, the Department has completed a SFY 2016 budget request, although formal submission will not occur until November 2014. As a result of the work completed in Rec. 1a., steps have been taken to implement cost savings opportunities.

RECOMMENDATION NO. 2:

The Department of Human Services should ensure that each regional center facility that is licensed as an Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) is fully reimbursed by Medicaid for actual costs by:

- a. Using the most current information available to make cost projections for the regional centers and calculating revised prospective Medicaid reimbursement rates for the ICF/IID-licensed facilities.

Current Implementation Status for Rec. No. 2, part a: Implemented and Ongoing. **Agency's Update:** The Division worked with the Department of Health Care Policy and Financing (HCPF) to request an interim rate for the Wheat Ridge Regional Center and the Grand Junction Regional Center. This process resulted in rates that increased at both campuses to reflect the actual costs of care. The rates were approved in May 2014, and the Division used those same rates and cost analysis to develop our SFY 2015 budgets. As a result, we do not believe that a prospective rate is needed for SFY 2015; however, we will continue to monitor expenses throughout the year and, if necessary, request an interim rate adjustment if actual expenses appear to be out of alignment with our planned budgets and rates for the ICF/IID programs.

- b. Requesting retrospective adjustments to prior-year reimbursements using rates that are based on the regional centers' actual costs from the prior year as reflected in Medicaid cost reports.

Current Implementation Status for Rec. No. 2, part b: Implemented and Ongoing. **Agency's Update:** Each year the Regional Center ICF/IID programs are required to complete a Med-13 Report which is then reviewed by Myers & Stauffer LC, who evaluates the costs at the Regional Centers for the prior fiscal year. Myers & Stauffer then recommends a retrospective rate, effective retroactively to the fiscal year covered in the Med-13 Report, which is then approved by HCPF. Through this process, the Regional Center rates are adjusted at the end of each year to reflect actual costs. The Department is using this information and our new budget processes to consider requesting interim rates and prospective rates, if needed. One of the primary reasons that the regulations allow for up to three types of rates per year is that census, severity of resident needs, and other factors can fluctuate throughout the course of the year. Both interim and retrospective adjustments can be applied retroactively back to the beginning of the year to ensure that rates paid are trued up to actual costs.

- c. Implementing a mechanism for staff other than those who perform the rate calculations to conduct comprehensive reviews of the methods and calculations for all proposed Medicaid reimbursement rate requests.

Current Implementation Status for Rec. No. 2, part c: Implemented. **Agency's Update:** The Department has contracted with an independent third party, Vivage, a nationally recognized expert in the area of nursing home and intermediate care facility management and cost reporting, to prepare the Med-13 Reports for the Wheat Ridge Regional Center and the Pueblo Regional Center for SFY 2014. Additionally, all prospective or interim rate requests and supporting documentation are now reviewed by Division and Office management, as well as by the CDHS Controller before being provided to HCPF. HCPF then reviews the requested rate, along with supporting documentation from COFRS (now CORE) prior to approval.

RECOMMENDATION NO. 3:

The Department of Human Services should ensure that the regional centers' Medicaid cost reports accurately report the number of resident days by updating its policies on managing census information to clarify which days should be reported on the cost reports and updating its procedures accordingly.

Current Implementation Status for Rec. No. 3: Partially Implemented. **Agency's Update:** The Division is in the process of drafting revised policies for recording resident days and census information. The Division has worked with the Departments of Health Care Policy and Financing and Public Health and Environment to ensure that the new policies are consistent with Medicaid billing and certification regulations. The policies will be finalized and staff will be trained in July 2014.

Note: Recommendation No. 4 was to the Department of Health Care Policy and Financing only.

Recommendation Nos. 5 and 6 are no longer applicable to the Department of Human Services.

Recommendation Nos. 5 and 6 were originally directed to the Department of Human Services and Department of Health Care Policy and Financing because they needed to work together to ensure the Medicaid reimbursements that the Regional Centers receive for the Home and Community-Based Services for Persons with Developmental Disabilities (HCBS) waiver program are accurate and align with costs. However, The Division for Developmental Disabilities moved from the Department of Human Services to the Department of Health Care Policy and Financing, effective February 3, 2014 and is now the Division for Intellectual and Developmental Disabilities (DIDD). As the division responsible for the HCBS-DD waiver program, DIDD is responsible for implementing these audit recommendations and will report on the status of their implementation.

RECOMMENDATION NO. 7:

The Department of Human Services should pay the Intermediate Care Facility for Individuals with Intellectual Disabilities provider service fees for each regional center as assessed by the Department of Health Care Policy and Financing and adjust its accounting records, as appropriate, to correct the incorrect provider service fee payments for Fiscal Years 2012 and 2013.

Current Implementation Status for Rec. No. 7: Implemented. **Agency's Update:** The Division paid State Fiscal Year 2014 provider fees based on the Department of Health Care Policy and Financing's invoicing of provider fees. The Division also corrected the incorrect provider service fee payments for SFYs 2012 and 2013.

Note: Recommendation No. 8 was to the Department of Health Care Policy and Financing only.

RECOMMENDATION NO. 9:

The Department of Human Services should improve processes for ensuring the regional centers conduct consistent assessments of clients' readiness to transition by:

- a. Developing written policies and guidance that define the transition readiness categories "ready to transition" and "maximum benefit achieved" and specify how staff should document the rationale for the readiness determination.

Current Implementation Status for Rec. No. 9, part a: Implemented. **Agency's Update:** The Division implemented new policies that define transition readiness, incorporating in stakeholder feedback, and trained staff at all three Regional Centers on the transition readiness criteria and categories, as well as how staff are required to document the rationale for readiness determinations.

- b. Modifying the Transition Readiness Assessment tool, as appropriate, to ensure it comprehensively assesses the client's behaviors and support needs and includes instructions for completing the tool and the definitions of the transition readiness categories developed in response to part "a."

Current Implementation Status for Rec. No. 9, part b: Implemented. **Agency's Update:** In conjunction with developing policies on transition readiness as discussed in subpart "a" above, the Division implemented a transition readiness assessment tool that more comprehensively assesses a resident's readiness to transition, documents the readiness criteria and whether the resident meets those criteria, as well as documents any barriers to transition. The assessment tool includes instructions for completing the tool, and all appropriate Regional Center staff have been trained on the use of the tool.

- c. Implementing a training program for regional center staff on how to conduct and document transition readiness assessments.

Current Implementation Status for Rec. No. 9, part c: Implemented. **Agency's Update:** The Division trained all Regional Center staff and all three Center Directors on the new readiness assessment policies and Transition Assessment Readiness Tool. The training covered the new policies, as well as how and when to conduct a readiness assessment, and included an exercise for staff to read case documentation and use the tool to assess readiness to transition.

RECOMMENDATION NO. 10:

The Department of Human Services should improve processes for transitioning clients who are identified as ready to transition from the regional centers to private providers by:

- a. Implementing policies and procedures for maintaining consistent records at the Division for Regional Center Operations (Division) that require staff to document the details of each step in the transition process for every client who has been determined "ready to transition." This recordkeeping system should include the dates of all key steps in the process taken by the Division, regional centers, and community-centered boards (CCBs); reasons for any barriers to transitions; and outcomes of each step.

Current Implementation Status for Rec. No. 10, part a: Implemented. **Agency's Update:** The Division has implemented a tracking database to keep track of key dates and information related to all residents assessed as "ready to transition." Through this tracking mechanism, the Division is able to begin identifying patterns in barriers to transition and to improve its coordination with the community-centered boards (CCBs) to ensure timely and appropriate transitions for residents who have been assessed as ready. Additionally, this process allows the Division to keep track of resident regressions and other factors that may be postponing a successful transition to the community.

- b. Implementing policies and procedures for Division staff to follow during each step in the transition process, including time lines or benchmarks for completing steps, suggested actions to take when staff encounter barriers, and a time limit on classifying clients as "pending" before Division management will review the case to identify a course of action.

Current Implementation Status for Rec. No. 10, part b: Implemented. **Agency's Update:** In conjunction with the readiness assessment policies, the Division also created a transition policy that clearly defines each step in the process, the staff position responsible for conducting the step, and the timeline for completion of the step. This should help to ensure that process delays are not the cause for delayed transition.

- c. Using the improved Division data to routinely analyze major transition barriers to identify and implement targeted strategies that staff at regional centers, the Division, and the CCBs should use to address issues that are causing delays in the transition process.

Current Implementation Status for Rec. No. 10, part c: Implemented. **Agency's Update:** The Division is using the data collected based on the new policies implemented as a result of subparts "a" and "b" above to analyze, on an ongoing basis, the barriers to transition. As the Division compiles more data and can identify trends, action will be taken to work with our partners at DIDD to mitigate those barriers. As individual barriers arise, the new processes are providing for additional research and triage of those issues in an attempt to eliminate the barrier.

RECOMMENDATION NO. 11:

The Department of Human Services (Department) should expand and improve its methods for tracking, analyzing, monitoring, and reporting the performance of the regional centers in achieving timely transitions by:

- a. Implementing a data-collection process for transition readiness evaluations that capitalizes on existing processes and systems, such as AVATAR.

Current Implementation Status for Rec. No. 11, part a: Implemented. **Agency's Update:** The Division developed an MS Access database and created a change of status form as part of the process for developing the transition readiness assessment and transition policies discussed in Recommendation No. 10. The Division trained Regional Center staff on the use of the form and began collecting the data.

- b. Ensuring the Department’s Division for Regional Center Operations (the Division) staff have the data management training and expertise needed to ensure Division data are accurate and complete and data analysis methods result in accurate reporting to Division and Department management.

Current Implementation Status for Rec. No. 11, part b: Implemented. **Agency’s Update:** The Division hired a data analyst, who, in addition to having experience also took a course in creating, using, and maintaining Access databases, and has used that course to develop the database implemented for subpart “a” above.

- c. Implementing a quality assurance process to ensure Division data on regional center clients are reliable.

Current Implementation Status for Rec. No. 11, part c: Implemented. **Agency’s Update:** The Division created and implemented more clear data collection, management, and review processes as part of its implementation of the readiness determination, transition, and change of status policies. All data is reviewed for accuracy monthly and reported on in the Department’s C-Stat performance management process.

- d. Collaborating with Division staff to identify additional statistics for measuring and reporting regional center progress in meeting transition time line goals for all regional center clients. Statistics should include, but not be limited to, the number of clients who have been determined to be “ready to transition,” the number of clients for whom the regional centers met goals, and the amount of time clients who transitioned to private providers and clients who did not transition have remained in the regional centers after being determined “ready to transition.”

Current Implementation Status for Rec. No. 11, part d: Implemented. **Agency’s Update:** All data on readiness assessment and transition is captured in the Access database discussed in subpart “a” above. Included in this database is information on all individuals that have been identified as ready to transition, the dates determined ready, the dates of transition if applicable, the barriers to transition if applicable, as well as the dates for each phase of the transition process corresponding to the transition policy. Much of this data is reported at C-Stat each month, and all of the data is reviewed by the Regional Center Transition Coordinator to ensure that transition progress is made and, to the extent possible, barriers are worked out as quickly as possible.



COLORADO DEPARTMENT OF HEALTH CARE POLICY

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John W. Hickenlooper, Governor • Susan E. Birch MBA, BSN, RN, Executive Director

July 18, 2014

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the November 2013 Performance Audit of the Regional Centers for People with Developmental Disabilities. The attached report provides a brief explanation of the actions taken by the Department of Health Care Policy and Financing to implement each recommendation.

If you have any questions, please do not hesitate to contact Delora Hughes-Wise, Audit Coordinator at (303) 866-4155 or by email at Delora.hughes-wise@state.co.us.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Susan E. Birch'.

Susan E. Birch, MBA, BSN, RN
Executive Director

FOR SUSAN BIRCH

SEB: dhw

Enclosure

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Regional Centers for People with Developmental Disabilities Performance Audit,
November 2013

AUDIT NUMBER: 2202

DEPARTMENT/AGENCY/ENTITY: Department of Health Care Policy and Financing

DATE: June 30, 2014

SUMMARY INFORMATION

Recommendation Number	Agency's Response	Original Implementation Date	Implementation Status	Revised Implementation Date <i>(as applicable)</i>
4	Agree	December 2013	Implemented	
5a	Agree	June 2014	Not Implemented	August 2014
5b	Agree	June 2014	Not Implemented	August 2014
6a	Agree	March 2014	Partially Implemented	August 2014
6b	Agree	January 2014	Implemented	
6c	Agree	December 2013	Partially Implemented	August 2014
8	Agree	June 2014	Implemented	

DETAIL OF IMPLEMENTATION STATUS

Note: The Department of Health Care Policy and Financing agreed with all of the audit recommendations.

RECOMMENDATION NO. 4:

The Department of Health Care Policy and Financing should implement a review and approval process for the Medicaid reimbursement rates submitted by the Department of Human Services (Department) that includes comparing the calculations from the contracted accounting firm with the calculations made by the Department to ensure the requested rates align with costs, as required by statute and rule.

Current Implementation Status for Rec. 4: Implemented. **Agency's Update:** The Department began working with the Division for Regional Centers and Department of Human Services on an interim rate development an approval process in October 2013. After extensive collaboration, the Department of Human Services (DHS) and the Department of Health Care Policy and Financing (HCPF) have created a permanent rate review process that results in an interim rate calculation, when necessary, and involves identifying actual and up to date cost information based on CORE payments. These costs were categorized into appropriate cost centers to determine total costs associated with each. Once the final auditing rate is completed each year, the interim rate is replaced by the final audited rate and all reimbursements are reconciled annually to the final audited rate.

RECOMMENDATION NO. 5:

The Department of Human Services and the Department of Health Care Policy and Financing should work together to ensure that the reimbursements the Grand Junction and Pueblo Regional Centers receive under the Home and Community-Based Services for Persons with Developmental Disabilities (HCBS-DD) waiver program more closely align with costs by:

- a. Revising the rate-setting method for the regional centers' HCBS-DD waiver-funded services. The revision process should include evaluating the feasibility of establishing separate rates for each of the two regional centers and other options for setting the reimbursement rates, as appropriate.

Current Implementation Status for Rec. 5, part a: Not Implemented. **Agency's Update:** The Department is performing a review of the Home and Community Based Services (HCBS) waiver rates for Supportive Living Services, Developmentally Disabled, and Children's Extensive Support. The Department will include an evaluation of the current Regional Center HCBS-DD waiver reimbursement versus the reported costs of providing such services. The Department will consider the feasibility of separate rates for the two Regional Centers as a component of its review. The expected completion date is August 1, 2014.

- b. Implementing procedures to compare, at least annually, the regional centers' reported costs to their HCBS-DD waiver reimbursements to ensure that the reimbursements continue to align with costs and the costs are reasonable.

Current Implementation Status for Rec. 5, part b: Not Implemented. **Agency's Update:** The Department is currently researching and drafting a review of the regional centers' reported costs and the HCBS-DD reimbursement within the regional centers. The review will ensure that costs incurred at the regional centers and HCBS-DD waiver reimbursements will continue to align. The Department's review expected completion date is August 1, 2014. Once the review is completed, the Department will develop standard operating procedures to ensure the process is completed at least once per year.

RECOMMENDATION NO. 6:

The Department of Human Services and the Department of Health Care Policy and Financing should work together to develop controls to ensure that Medicaid does not pay any Medicaid Home and Community-Based Services (HCBS) waiver claims for clients who reside in an Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) regional center facility by:

- a. Providing written instructions and guidance to community-centered boards (CCBs) and other single-entry-point agencies and implementing training for case managers on the requirements for updating appropriate systems, such as CCMS, to prevent improper payments. The instructions and training should highlight the steps that case managers should take to update a client's records when a client is admitted to or discharged from an ICF/IID.

Current Implementation Status for Rec. 6, part a: Partially Implemented. **Agency's Update:** In November 2013, both the Long Term Services and Supports (LTSS) Division and

the Division for Intellectual and Developmental Disabilities (DIDD) provided guidance, training, and instruction regarding discharge from one Long Term Services and Supports program and admission to another, including end dating PARs to avoid improper payments. Training was provided to both Community Centered Boards and Single Entry Point agencies. LTSS and DIDD are working together to complete written guidance to be posted on the Department's website and distributed to case management entities by the end of August 2014.

- b. Establishing and implementing a risk-based process to identify and review for appropriateness HCBS waiver claims and case management claims paid for Medicaid clients who were residents of an ICF/IID on the date of service.

Current Implementation Status for Rec. 6, part b: Implemented. **Agency's Update:** The Division for Intellectual and Developmental Disabilities (DIDD) worked with the HCPF Data section to develop a report to identify potentially inappropriate claims. The report is reviewed on a monthly basis to identify any clients that have both a waiver and ICF claim in the same month. Any inappropriate payments are adjusted or recovered.

- c. Investigating the 12 claims questioned in this audit and recovering payments as appropriate.

Current Implementation Status for Rec. 6, part c: Partially Implemented. **Agency's Update:** Prior to moving to HCPF, DIDD was working with the HCPF Program Integrity section to review the 12 claims identified by the audit and recover any payments as appropriate. The claims review was completed in December 2013 and DIDD will be recovering funds from the 12 claims identified in the audit. Prior to transitioning to HCPF, DIDD was working to develop a recovery process in line with HCPF laws and regulations. Development of a claims recovery process was more complex than originally anticipated due to coordinating recoveries across two different agencies. Upon transfer to HCPF, DIDD staff were responsible for additional elements of the recovery process and staff training was necessary to appropriately recover payments. Training has been completed and letters to recover the funds will be sent by August 30, 2014.

RECOMMENDATION NO. 8:

The Department of Health Care Policy and Financing should implement procedures to verify that it collects the Intermediate Care Facility for Individuals with Intellectual Disabilities provider service fee amounts from each provider that it bills.

Current Implementation Status for Rec. 8: Implemented. **Agency's Update:** The Department of Health Care Policy and Financing (HCPF) updated its Department of Human Services (DHS) Medicaid funded activity line item crosswalk for the Regional Centers. This update provides for a clear review and approval process for the Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/ID) provider service fee to ensure the appropriate amounts are collected from each Regional Center. The DHS Medicaid funded activity line item crosswalk provides an agreed upon understanding between DHS and HCPF of the activity in each DHS Medicaid funded line item. This crosswalk provides detailed procedures for all line item accounting activity and a guideline for reconciling the accounting activity between Departments.