

**HOSPITAL CARE ASSURANCE PROGRAM
PROGRAM YEAR 1996**

PERFORMANCE AUDIT

DECEMBER 1, 1996 - MARCH 31, 1997



STATE OF OHIO
OFFICE OF THE AUDITOR

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April 8, 1996

Mr. Arnold R. Tompkins, Director
Ohio Department of Human Services
30 East Broad Street, 32nd Floor
Columbus, Ohio 43266-0423

Dear Director Tompkins:

In accordance with Section 5112.20 of the Ohio Revised Code (ORC), we have completed our analysis of the Hospital Care Assurance Program (HCAP) operations for Program Year (PY) 1996¹. This statute requires the Auditor of State to "determine the amounts that, due to errors by the department of human services, a hospital should not have been required to pay but did pay, should have been required to pay but did not pay, should not have received but did receive, or should have received but did not receive."

Due to the recent (December 1996) issuance of our PY 1995 HCAP report, the scope of our PY 1996 audit was limited to assessing the extent of any changes in program requirements, updating information on actions taken and planned by Ohio Department of Human Services (ODHS) to correct deficiencies identified in the PY 1995 program, and performing high-level analyses of the PY 1996 HCAP distribution formula. This audit did not include an assessment of the accuracy of hospital furnished data.

Background

During PY 1996, 185 hospitals participated in HCAP and contributed funds totaling \$225 million based upon 1.803 percent of facility costs reported on their Fiscal Year 1994 cost reports (excluding skilled nursing services). The federal government provided the remaining \$340 million of the total \$565 million program funding.

The PY 1996 HCAP program requirements were very similar to those for PY 1995. As a condition of receiving program funds, hospitals were required to:

- provide basic, medically necessary, hospital level services to Ohio residents at or below the Federal poverty guidelines;

¹PY 1996 is the same as the Federal Fiscal Year (October 1995 through September 1996).

- post clearly worded notices informing prospective clients of the free services that were available; and
- report information to ODHS on the number of individuals served by indigent care category.

The HCAP fund distribution process was also comparable in that ODHS placed hospitals into 10 groups and allocated funds to each based on its adjusted total facility costs and cost of services provided to Ohio's indigent population. Unlike PY 1995, the PY 1996 HCAP program placed restrictions on total distributions to individual hospitals in accordance with the Omnibus Budget Reconciliation Act (OBRA) of 1993. This Act limited funding to the difference between the hospitals' Medicaid costs and reimbursements (shortfall) plus their unreimbursed costs for servicing general assistance/disability assistance recipients. Comparative data on the PY 1996 and PY 1995 HCAP programs are presented in Appendix I through Appendix IV attached.

Our PY 1995 report identified significant issues requiring prompt corrective action. These included:

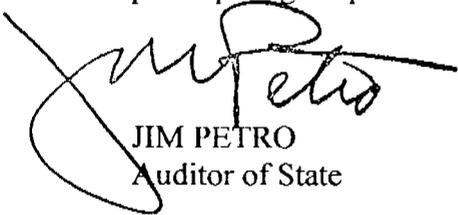
- a lack of documentation supporting key allocation factors and management decisions affecting fund distributions;
- use of a questionable approach for determining hospital group placements;
- use of erroneous cost data furnished by participating hospitals which in one case caused 12 hospitals to receive less funds than they should have as the result of a \$524,204 overpayment to one other hospital;
- a lack of support for costs used as a basis for distributions to three hospitals; and
- a lack of documentation showing the disposition of questions, corrections and revisions by individual hospitals concerning their financial data.

With the exception of the first two issues and our recommendation to recoup and redistribute the \$524,204 overpayment to the one hospital, ODHS's corrective action plan addressed the issues listed above. Specifically, ODHS indicated it (1) planned to continue holding data seminars to clarify requirements governing the program, (2) better document the disposition of hospital requested data changes, and (3) audit hospital furnished cost prior to use in the PY 1997 fund distribution model. These actions, which ODHS started to implement prior to completion of the PY 1996 program, have and will continue to bring about improvements in some areas of the HCAP program. However, action still needs to be taken to address other areas.

PY 1996 Audit Results

Our PY 1996 limited review did not reveal problems of the magnitude of those reported in our PY 1995 report. We believe this resulted primarily because of (1) increased ODHS management

review of the program resulting from our PY 1995 audit recommendations (2) increased emphasis on data accuracy by the ODHS and Ohio Hospital Association and on data documentation as indicated by ODHS' corrective action plan; and (3) our limited scope review which did not analyze supporting documentation for financial costs reported by HCAP participating hospitals. We offer no new recommendations as a result of this limited review.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a large, stylized circular flourish.

JIM PETRO
Auditor of State

Attachment

**Appendix I: Number of Hospitals
In HCAP Fund Distribution Groups
for PY 1996 and PY 1995**

Type of Hospital	Number of Hospitals in Group	
	PY 1996	PY 1995
Group 1: Children	9	9
Group 2: Government	2	3
Group 3: Hospitals with facility costs of \$100 million or more and with a Medicaid to facility cost ratio that is higher than that group's average	12	12
Group 4: Hospitals with facility costs of \$100 million or more and but with a Medicaid to facility cost ratio that is less than that group's average	16	15
Group 5: Hospitals with facility costs of \$50 to \$99.9 million and with a Medicaid to facility cost ratio that is higher than that group's average	20	22
Group 6: Hospitals with facility costs of \$50 to \$99.9 million and with a Medicaid to facility cost ratio that is less than that group's average	23	19
Group 7: Hospitals with facility costs of \$25 to \$49.9 million and with a Medicaid to facility cost ratio that is higher than that group's average	16	18
Group 8: Hospitals with facility costs of \$25 to \$49.9 million but with a Medicaid to facility cost ratio that is higher than that group's average	19	23
Group 9: Hospitals with facility costs that are less than \$25 million and with a Medicaid to facility cost ratio that is higher than that group's average	28	27
Group 10: Hospitals with facility costs that are less than \$25 million and with a Medicaid to facility cost ratio that is less than that group's average	40	45
Total	185	193

**Appendix II: PY 1996 HCAP Assessments/Intergovernmental Transfers
by Hospital Group**

Type of Hospital	Group Number	Total Assessment (in million)	Percentage
Children	1	\$ 11.1	4.9
Government	2	27.0	12.0
Hospitals with facility costs and a Medicaid to facility cost ratio of \$100 million or more	3	37.1	16.5
Hospitals with facility costs of \$100 million or more but with a Medicaid to facility cost ratio less than the average for this group	4	57.8	25.8
Hospitals with facility costs and a Medicaid to facility cost ratio of \$50 to \$99.9 million or more	5	25.2	11.2
Hospitals with facility costs of \$50 to \$99.9 million or more but with a Medicaid to facility cost ratio less than the group average	6	28.0	12.5
Hospitals with facility costs and a Medicaid to facility cost ratio of \$25 to \$49.9 million or more	7	10.6	4.7
Hospitals with facility costs of \$25 to \$49.9 million or more but with a Medicaid to facility cost ratio less than the group average	8	11.5	5.0
Hospitals with facility costs and a Medicaid to facility cost ratio of \$25 to \$49.9 million or more	9	6.1	2.7
Hospitals with facility costs of \$25 to \$49.9 million or more but with Medicaid to facility cost ratio less than the group average	10	10.2	4.5
Total		\$224.6	99.9

**Appendix III: Comparison of PY 1996 and PY 1995 Distributions
by HCAP Funding Groups**

Hospital Group	PY 1996	PY 1995	Change in Dollars	Percent of Change
1	\$ 50,367,093	\$ 49,699,568	\$ 667,525	1.01
2	84,481,430	151,585,346	(67,103,916)	(55.73)
3	108,544,161	92,886,657	15,657,504	1.17
4	104,258,982	77,317,653	26,941,329	1.35
5	73,606,216	60,181,017	13,425,199	1.22
6	49,996,692	24,127,666	25,869,026	2.07
7	30,216,135	25,912,575	4,303,560	1.17
8	22,172,722	22,855,643	(682,921)	.97
9	20,558,995	15,386,061	5,172,934	1.34
10	21,227,167	16,540,056	4,687,111	1.28
	\$565,429,593	\$536,492,240	\$28,940,351	1.05

**Appendix IV: Fiscal Year 1996 HCAP Fund Distribution
By Hospital Groups**

Group Number	Number in Group	Total Distributions	Percentage of Total	Average Distribution to each Hospital	Range of Distribution
1	9	\$ 50,367,093	9.0	5,596,344	\$ 31,375 to \$18,959,340
2	2	84,481,430	14.9	42,240,715	\$38,076,014 to \$46,405,416
3	12	108,544,161	19.2	9,045,346	\$ 4,334,043 to \$15,552,594
4	16	104,258,982	18.4	6,516,186	\$ 1,702,155 to \$16,433,440
5	20	73,606,216	13.0	3,680,311	\$1,847,542 to \$9,362,805
6	23	49,996,692	9.0	2,173,769	\$ 737,442 to \$7,636,278
7	16	30,216,135	5.3	1,888,508	\$ 1,372,208 to \$3,069,908
8	19	22,172,722	3.9	1,166,985	\$ 627,774 to \$2,112,355
9	28	20,558,995	3.6	734,250	\$ 158,402 to \$3,094,750
10	40	21,227,167	3.8	530,679	\$ 20,435 to \$1,078,341
Total	185	565,429,593	100.1		

