



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
FINANCE AND ADMINISTRATIVE SERVICES
ALLAN R. POHL
DIRECTOR

STEVE ARWOOD
DIRECTOR

emailed 6/5/14

June 5, 2014

Mr. Doug Ringler, Director
Office of Internal Audit Services
State Budget Office
Romney Building – Seventh Floor
111 S. Capitol, P.O. Box 30026
Lansing, Michigan 48909

Dear Mr. Ringler:

We are enclosing our final response to comments made in the Office of the Auditor General's Performance Audit of Bureau of Health Care Services (BHCS), Department of Licensing and Regulatory Affairs for the period May 1, 2011 through July 31, 2013.

If you have any questions regarding this report, please feel free to call me at (517) 335-9247.

Sincerely,

[SIGNED]

Allen Williams, Director
Finance & Administrative Services
Office of Audit & Financial Compliance

Enclosure

cc: Audit Distribution List
Carole Engle
Shelley Edgerton
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AUDIT RESPONSE SUMMARY

**Performance Audit of Bureau of Health Care Services (BHCS),
Department of Licensing and Regulatory Affairs (LARA)
May 1, 2011 through July 31, 2013**

I. Citations complied with:

#1b.

#5.

II. Citations to be complied with:

#1a. The estimated date of full compliance is September 30, 2014.

#2. The estimated date of full compliance is June 1, 2015 (or possibly sooner if amendatory legislation is passed).

#3a. The estimated date of full compliance is June 30, 2014.

#3b. The estimated date of full compliance is December 31, 2016.

#4a. The estimated date of full compliance is December 31, 2014.

#4b. The estimated date of full compliance is April 1, 2015 (dependent upon the legislative action timeline).

III. Citations agency disagrees with:

None

Audit Response
Performance Audit of Bureau of Health Care Services (BHCS),
Department of Licensing and Regulatory Affairs (LARA)

FINDING #1 – Licensing of Substance Abuse Treatment Programs

- a. *We recommend that HFD conduct statutorily required State inspections of substance abuse treatment programs prior to renewing their licenses.*
- b. *We again recommend that HFD ensure that its data systems contain accurate information for substance abuse treatment programs.*

Final Response:

- a. BHCS agrees and will comply. BHCS has reassigned the State licensing activities for substance abuse disorder to the newly created State Licensing Section which will timely perform required inspections and ensure that Michigan Administrative Code requirements are met. LARA has submitted its 2014 Annual Regulatory Plan that includes updating the applicable Substance Abuse licensing Administrative Rules. A draft of the rules set that includes revisions to the inspection schedule for licensed substance abuse programs from annual to triennial is under development. This change will reduce the cost of the program and regulatory burden on the licensed providers while still ensuring routine inspections to protect the health and welfare of Michigan residents. The target date for promulgating the revised rule set is September 30, 2014.
- b. BHCS agrees and has complied. Starting in July 2013, BHCS began a process to require annual license renewals of substance abuse disorder programs; whereas previously, these licenses were non-expiring. The information obtained from the annual renewal process is now used to update the existing licensee data system information to ensure that it continues to be current and accurate.

FINDING #2 – Licensing of Clinical Laboratories

We again recommend that HFD either issue statutorily required licenses to clinical laboratories operating in Michigan or obtain amendatory legislation to suspend State licensing of clinical laboratories and place reliance on federal clinical laboratory certification procedures.

Final Response: BHCS agrees and is taking steps to comply. LARA has submitted a recommendation to the legislature to rescind sections of the Public Health Code requiring State licensure of clinical laboratories as required by Act 63, P.A. 2011; Act 200, P.A. 2012; and Act 59, P.A. 2013. BHCS met with a State Legislator on March 19, 2014 to discuss these issues and another meeting is scheduled for May 23, 2014. In the meantime, BHCS is prepared to initiate (by July 2014) a cost analysis for reconstituting the State licensing program for clinical

laboratories if progress has not been made to rescind this part of the Code. The estimated date of full compliance is June 1, 2015 (or possibly sooner if amendatory legislation is passed).

FINDING #3 – Licensing of Hospitals

- a. *We recommend that HFD inform hospitals of the statutorily available waiver of required biennial surveys.*
- b. *We also recommend that HFD conduct statutorily required biennial surveys of hospitals.*

Final Response:

- a. BHCS agrees and will comply. BHCS is working to modify the online Licensing 2000 (L2K) program to include information that promotes the hospital inspection waiver option under MCL 333.20155(9). The proposed new feature is scheduled for release by June 30, 2014 – in advance of the August 1, 2014 license renewal date for all hospitals in Michigan. At a minimum, L2K will provide instructions for hospitals on how to apply for waiver of inspection while renewing their biennial license.
- b. BHCS agrees and will comply. BHCS initiated state biennial inspections of licensed hospitals in 2014. To date, the State Licensing Section staff have inspected 10 licensed hospitals that are not accredited by a national accrediting organization. Once this group of high priority hospitals is inspected, the State Licensing Section will start inspecting the remaining hospitals that did not seek, or were not granted, waiver of state inspection under Section 20155(9) of the Code. A recently created departmental analyst position is now assisting with identifying and tracking required inspections of state licensed and federally certified health facilities and providers in Michigan. BHCS also continues to meet with a State Legislator to discuss proposed Public Health Code changes that include revising the inspection schedule for hospitals from biennial to triennial. The estimated date of full compliance is December 31, 2016.

FINDING #4 – Licensing of Health Facilities and Agencies

- a. *We again recommend that HFD perform all statutorily required surveys of hospices; FSOFs; hospice residences; and psychiatric hospitals, units, and programs.*
- b. *We also again recommend that HFD establish a formal policy to prioritize and schedule all required surveys of non-federally licensed or certified health facilities and agencies.*

Final Response:

- a. BHCS agrees and will comply. BHCS' State Licensing Section is on track to complete by December 31, 2014 all annual state inspections of freestanding surgical outpatient facilities

(FSOF) and hospices as well as biennial inspections of psychiatric hospitals that are not granted an inspection waiver under Section 20155(9) of the Code. As of April 30, 2014, the State Licensing Section has completed inspections for 10 psychiatric hospitals, 22 FSOFs, and 38 hospice/hospice residences.

- b. BHCS agrees and will comply. LARA and BHCS continue to seek legislative changes that would reduce the statutorily required frequencies of inspections for State licensed health facilities and agencies; and have recommended establishing a licensing fee to support State licensing activity. A meeting was held with a State Legislator on March 19, 2014 and another is scheduled for May 23, 2014. In the meantime, BHCS' State Licensing Section is developing a procedure to identify, track, prioritize and assure timely inspections as required by Code. The estimated date of completion is April 1, 2015 (dependent upon the legislative action timeline).

FINDING #5 – Complaints

We recommend that HFD initiate investigations of all complaints filed against health facilities, agencies, and programs in a timely manner.

Final Response:

BHCS agrees has complied. In February 2014, HFD established and filled a Departmental Analyst position responsible for helping to ensure timely intake, processing and investigation of complaints along with other functions. HFD is now current with its workload of processing complaints.