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Office of the Auditor General

Report Summary

Performance Audit

Administration of Medicaid Payments to Nursing Facilities for Long-Term Care (LTC)

Michigan Department of Health and Human Services (MDHHS)

Report Number:
391-0570-18

Released:
November 2019

Through its LTC Reimbursement Division and LTC Audit Division, MDHHS administers the Medicaid reimbursement rate setting, audit, and cost settlement processes for services provided by LTC facilities. MDHHS sets the Medicaid LTC per diem reimbursement rates for facility providers and coordinates the review of annual cost reports. As of October 1, 2018, MDHHS set rates for 374 nursing facilities, 34 county medical care facilities, 21 inpatient hospitals with LTC units, and 11 nursing facilities with ventilator dependent units. In fiscal year 2018, MDHHS reimbursed providers \$1.9 billion for LTC services.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of MDHHS's efforts to administer its LTC rate setting process.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS's Medicaid LTC cost reimbursement methodology is complicated, labor intensive, ineffective, and inefficient (Finding #1).	X		Agrees
MDHHS returned 708 (60%) of the cost reports received with period end dates from October 2015 through July 2018 for correction and took 33 calendar days, on average, to accept the remaining 479 cost reports (Finding #2).		X	Agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of MDHHS's efforts to administer its LTC audit process.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
See Finding #1 .	X		Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS did not always identify obvious unallowable costs or disallow identified unallowable costs, potentially resulting in inflated future reimbursement rates and LTC provider payments (<u>Finding #3</u>).		X	Agrees
MDHHS took more than a year to complete 94% of the audits and did not physically visit the nursing facility provider for 67% of the 43 audits reviewed (<u>Finding #4</u>).		X	Agrees

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of MDHHS's efforts to administer its LTC cost settlement process.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
See <u>Finding #1</u> .	X		Agrees
MDHHS took longer than 6 months to complete 68% of the cost settlements and miscalculated 18% of the 17 final cost settlements reviewed (<u>Finding #5</u>).		X	Agrees

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