



FACT SHEET

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State Auditor

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Report: 2006-035

The California State Auditor released the following report today:

Department of Health Services
***It Has Not Yet Fully Implemented Legislation Intended to Improve the Quality of
Care in Skilled Nursing Facilities***

BACKGROUND

The Skilled Nursing Facilities Quality Assurance Fee and Medi-Cal Long-Term Care Reimbursement Act (Reimbursement Act), Chapter 875, Statutes of 2004, requires the Department of Health Services (Health Services) to implement a facility-specific reimbursement rate methodology that reimburses each skilled nursing facility (facility) based on its costs. The Reimbursement Act also imposes the Quality Assurance Fee (fee) on each facility to provide a revenue stream to Health Services that would increase reimbursements to facilities and support quality improvement efforts in facilities.

About 1,300 skilled nursing facilities in the State provide services to patients covered by the California Medical Assistance Program (Medi-Cal) that may be affected by the Reimbursement Act. This audit report discusses Health Services' progress in fulfilling the provisions of the Reimbursement Act.

KEY FINDINGS

- Although Health Services promptly created and obtained federal approval for the reimbursement rate and fee systems, it was slow to calculate the new reimbursement rates and apply them to Medi-Cal claims submitted by facilities. Health Services stated that the delay was caused by other work it needed to complete before applying new rates, such as responding to approximately 300 requests from facilities to review their new rates.
- Health Services has yet to meet all the auditing requirements included in the Reimbursement Act, having reviewed only about two-thirds of the State's facilities. When it does not audit facilities' report costs, Health Services cannot be certain it is developing accurate rates.
- Health Services has yet to reconcile fee receipts to its records of anticipated collections. As a result, Health Services may not have identified all of the delinquent facilities and has not followed up with the 325 facilities that reported significantly more or fewer patient days than anticipated.
- To implement the Reimbursement Act, Health Services' contracting unit reported spending almost \$4 million for consulting contracts. However, when using contracted services, Health Services did not always follow sound contracting practices. Specifically, the contract did not specify either the product Health Services wanted the consultant to provide or set a date when Health Services would take over administration of the reimbursement rate system.
- Health Services' contractor responsible for receiving and paying facility Medi-Cal claims paid some facilities more than once. The contractor was unaware it was making duplicate payments until we brought it to the contractor's attention. During our review, we found more than 2,100 duplicate payments totaling more than \$3.3 million between August 1, 2005, and July 31, 2006.

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