



STATE OF MAINE
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MARY GINGROW-SHAW, CPA
DEPUTY STATE AUDITOR

August 17, 2015

Mary Mayhew, Commissioner
Department of Health and Human Services
11 State House Station
Augusta, ME 04333-0011

Dear Commissioner Mayhew,

The Office of the State Auditor conducted a limited procedures engagement of the Department of Health and Human Services' Hospital Cost Settlements.

We have completed our report and you have responded to our concerns in writing. Your response has been incorporated into our report and the report is attached to this letter.

Our report will be available on the Office of the State Auditor website at <http://www.maine.gov/audit/reports.htm>, in the section for Other Reports.

We thank Herb Downs, Director of the Department of Health and Human Services, Division of Audit, Sue MacKenzie, DHHS Audit Supervisor, along with other members of the Division of Audit staff, and also persons employed by the Department of Administrative and Financial Services for their assistance during this engagement.

Sincerely,

Pola A. Buckley, CPA, CISA
State Auditor

cc: Honorable Eric Brakey, Senate Chair, Health and Human Services Committee
Honorable Andrew Gattine, House Chair, Health and Human Services Committee
Honorable James Hamper, Senate Chair, Appropriations and Financial Affairs Committee
Honorable Margaret Rotundo, House Chair, Appropriations and Financial Affairs Committee
Beth Ashcroft, Director of OPEGA, Office of Program Evaluation and Government Accountability
Sam Adolphsen, Chief Operating Officer, Department of Health and Human Services
Alec Porteous, Deputy Commissioner of Finance, Department of Health and Human Services
Herb Downs, Director, Department of Health and Human Services, Division of Audit
Stephanie Nadeau, Director, Department of Health and Human Services, Office of MaineCare Services
Ray Girouard, Director, Department of Health and Human Services, Finance Services Center
Tony Madden, Deputy Director, Department of Health and Human Services, Division of Audit

Enclosure

State of Maine
Office of the State Auditor (OSA)
Report on Limited Procedures Engagement – Hospital Cost Settlements
Report Issued on August 17, 2015

Summary

The Office of the State Auditor performed a limited procedures engagement relating to the hospital cost settlement of \$490,200,000 paid by the State on September 16, 2013.

Background

The Department of Health and Human Services (DHHS) paid 39 Maine hospitals \$490,200,000 to settle Interim Cost Settlement Reports. The State’s obligation to the hospitals had grown over a number of years when the State capped payments to less than 100% of the Prospective Interim Payments (PIP)¹. The “cap” was established due to inadequate funding.

Settlement reports are a series of filings that include descriptive, financial, and statistical data to determine whether MaineCare overpaid or underpaid a hospital. Hospitals must file a cost report and other supplemental data annually with the DHHS Division of Audit. Hospitals must also file this documentation with the Medicare Administrative Contractor responsible for reviewing and possibly auditing the information for the U.S. Center of Medicare and Medicaid Services (CMS).

By design, cost reports should be settled in two stages: interim cost settlement and final cost settlement. According to the Maine DHHS Division of Audit, the interim cost settlement represents the bulk of the funds owed to hospitals and final cost settlements are relatively minor. The hospital cost settlement of \$490,200,000 was an interim cost settlement. A Final Cost Settlement, for the reasons explained below, has not been completed.

INTERIM COST SETTLEMENT:

As described in **Appendix A**, the interim cost settlement begins when a hospital files the “As Filed by Hospital Medicare Cost Report and MaineCare Supplemental Data Form” and other required documents with the DHHS Division of Audit. This information must be filed within five months after the end of the hospital fiscal year. Once filed, Maine DHHS Division of Audit personnel review the submission to check whether the required information appears to have been provided. If the submission appears to include the required information the “As Filed by Hospital Medicare Cost Report” is accepted by DHHS. The DHHS Division of Audit does not audit the operating cost information reported by the hospitals on the “As Filed by Hospital

¹ During fiscal years 2008 through 2012, Prospective Interim Payments were weekly payments made to hospitals based on estimates using the most recent “As-Filed Medicare Cost Report” and the MaineCare Supplemental data form filed by the hospital.

Medicare Cost Report”. However, the “As Filed by Hospital Medicare Cost Report” includes a reconciliation between the hospitals’ audited financial statements and the “As Filed by Hospital Medicare Cost Report”. The DHHS Division of Audit reviews selected claims data, third party payments, PIP and other payments to calculate a settlement amount.

Using the data contained in the “As Filed by Hospital Medicare Cost Report”, the Maine DHHS Division of Audit prepares an “Interim Cost Settlement Report”. This report is distributed to the hospital and to the Maine DHHS Service Center and includes settlement amounts and other settlement information.

FINAL COST SETTLEMENT:

The United States Centers for Medicare and Medicaid contracts with National Government Services (NGS), a subsidiary of Anthem, Incorporated to audit the “As Filed by Hospital Medicare Cost Reports”. NGS is a Medicare Administrative Contractor.

As described in **Appendix A**, a final cost settlement between the Maine DHHS Division of Audit and the hospitals occurs only after the DHHS Division of Audit receives a “NGS Desk Review/Audit” from NGS. Maine hospitals must submit an “As Filed by Hospital Medicare Cost Report” to NGS within five months after the end of the hospital fiscal year. NGS personnel check whether the required information appears to have been provided. If so, the “As Filed by Hospital Medicare Cost Report” is accepted for their subsequent review.

NGS personnel perform a Uniform Desk Review on all “As Filed by Hospital Medicare Cost Reports” received from hospitals. Depending on the results of their Uniform Desk Review, NGS may decide to perform an audit on this information submitted by the hospital. Upon completion of their procedures, NGS issues a report to the hospital along with a letter that includes settlement amounts and other settlement information; and all adjustments made to the cost report. NGS also sends this report to the DHHS Division of Audit. **Appendix A** refers to this stage of the settlement process as “NGS Desk Review/Audit”.

Once the Maine DHHS Division of Audit personnel receives the “NGS Desk Review/Audit”, Division personnel calculate the Final Settlement. The Division then issues a Final Cost Settlement Report that includes settlement amounts and other settlement information.

During the course of this limited procedures engagement, OSA found that the DHHS Division of Audit had not received “NGS Desk Review/Audits” from NGS for a number of years. Therefore, OSA expanded procedures to determine the status of these Final Cost Settlements.

Procedures

OSA performed procedures to determine:

- Whether there is a Federal statute of limitations on cost report settlements.

- Whether the cost settlement should be classified as a current or prior year expenditures in order to determine whether the proper Federal Medical Assistance Percentage (FMAP) rate was used to calculate the settlement payment. Whether the settlement amount was properly supported by the Maine DHHS Division of Audit records.
- The status of backlogged cost reports from NGS.

Results

- The Code of Federal Regulations (CFR), Title 45, Part 95, Subpart A, §95.7 stipulates that a State Agency has two years to file a claim for Medicaid expenditures. However, there are exceptions to the two year statute. Any claim that is deemed an adjustment to prior year costs is exempted from the two year time limit as are claims resulting from an audit exception. A cost settlement, by its' very nature, is an adjustment to prior year costs and is exempt from the two year time limit.
- The CFR contains no definitive answer as to whether cost settlements should be classified as current or prior year expenditures. The State Medicaid Manual (SMM) promulgated by the CMS does contain guidance on this issue. Chapter 2, Section 2501.1, Line 7 of the SMM instructs State Agencies to report cost settlements made in the current quarter for an earlier period as current expenditures.
- OSA examined 100% of the Interim Cost Settlement Reports on file with the DHHS Division of Audit and reconciled those numbers to the amount paid to the hospitals. See **Appendix B**.
- The FMAP rate used to pay the September 16, 2013 hospital cost settlement was 62.57%. This is the FMAP rate in effect at the time of payment. Since settlements are considered current spending, the FMAP rate used by DHHS in paying the settlements was correct. See **Appendix C**.
- On a sample basis, OSA examined 65% of the appeals outstanding and reconciled those numbers to the amount paid to the hospitals. See **Appendix D**.
- On a sample basis, OSA examined 85% of the crossover payments compiled by the accounting firm of Baker Newman and Noyes² and reconciled the amount paid to hospitals. Crossover payments are payments for MaineCare member services who are also eligible for Medicare. The crossover payment represents the amount not paid by Medicare. These amounts represent payments from 2007 to 2010. See **Appendix E**.
- OSA compiled a list that identifies the status of settlement reports that should be received from NGS. It is noted that the DHHS Division of Audit had not received settlement reports from NGS for a number of years. As the result of OSA inquiries, on September 15, 2014, NGS sent the DHHS Division of Audit one hundred and forty one Final Cost Settlement Reports. In addition, on April 3, 2015 and on May 15, 2015, the Division of Audit received fifty five Final Cost Settlement Reports from NGS. However, there are dozens of Final Cost Settlement Reports still outstanding. See **Appendix F**.

² Until September of 2010, crossover payments had to be calculated manually. Due to a lack of resources, Maine DHHS hired the accounting firm of Baker Newman Noyes to compile crossover payments due to hospitals from 2007 to September, 2010.

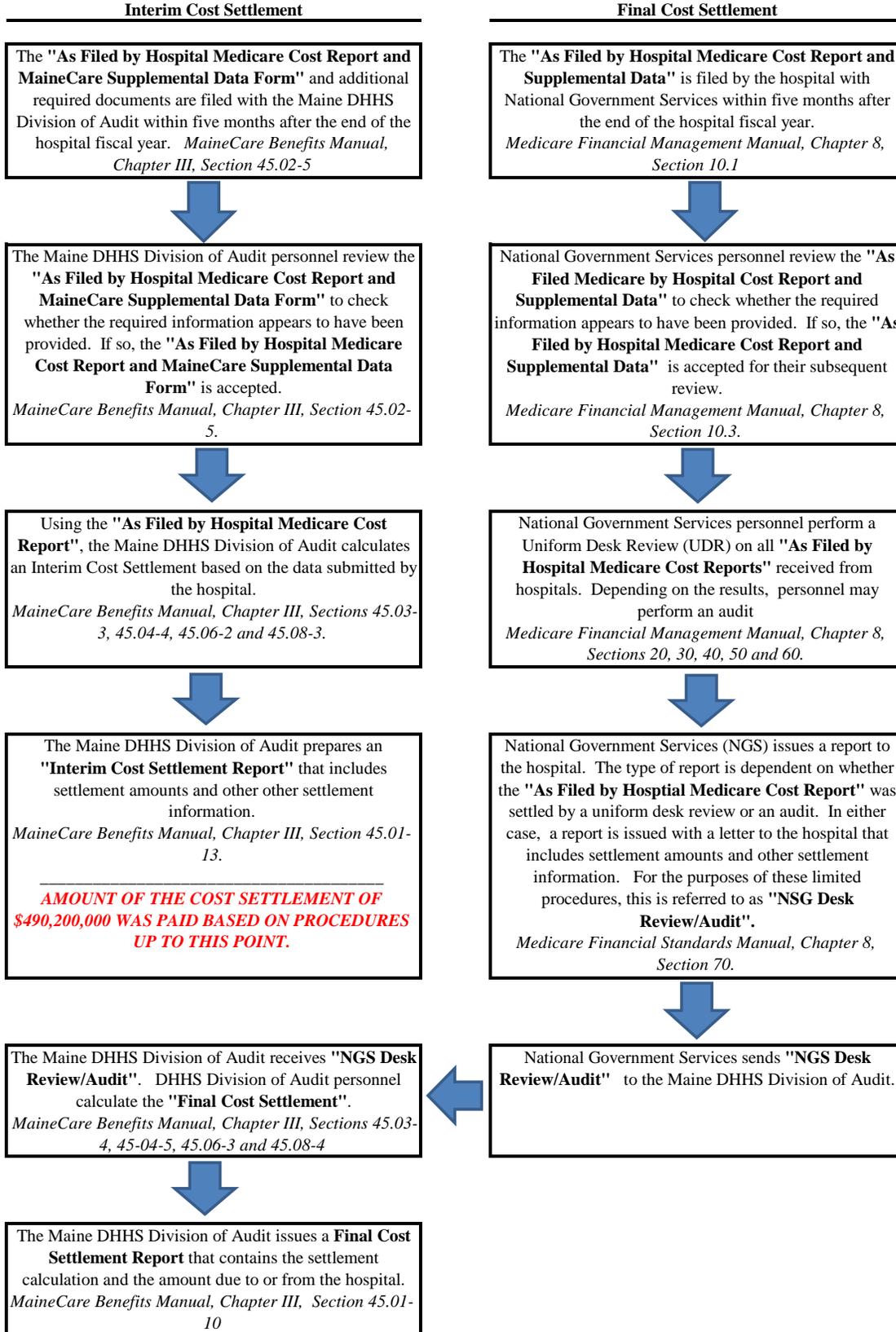
Conclusions and Recommendations

- We conclude that the Maine DHHS complied with regulations regarding the timing and amount of the Interim Cost Settlements with Maine hospitals on September 16, 2013³.
- Due to the large number of “NGS Desk Review/Audits” recently received by the Maine DHHS Division of Audit from NGS (See **Appendix F**), we recommend that the Division of Audit prioritize its resources in an effort to issue Final Cost Settlement Reports with Maine hospitals as soon as possible.
- We recommend that the DHHS Division of Audit work closely with NGS to ensure that it has received all “NGS Desk Review/Audit” reports that have been completed. In addition, the Division should stay in close contact with NGS to ensure that it receives future “NGS Desk Review/Audit” reports in a timely manner.
- We recommend that the DHHS Division of Audit submit a quarterly report to the DHHS Commissioner regarding the status of all Final Cost Settlements not yet paid or received. As the amount due to or from the hospital is identified but not yet realized, the dollar value of the settlement should be reported. We suggest that the DHHS Commissioner report this information annually to the Appropriations and Financial Affairs Committee.

³ However, the Final Cost Settlement amount has not yet been determined. Cost settlement amounts are potentially large or small, and could represent an amount owed to or from the State. According to the Maine DHHS, final cost settlement amounts are relatively minor.

**State of Maine
Cost Report Settlement Process**

APPENDIX A



**State of Maine
Interim Hospital Cost Settlement Reports
Issued September 16, 2013**

Hospital	Fiscal Year End Mo/Day	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Subtotal	Appendix D	Appendix E	Totals
								Appeals	Cross over Payments	
1 ACADIA HOSPITAL	09/30	\$ -	\$ 1,300,191	\$ 825,745	\$ 3,681,787	\$ 1,354,504	\$ 7,162,227	\$ 30,871	\$ 237,604	\$ 7,430,702
2 THE AROOSTOOK MEDICAL CENTER	09/30	-	616,848	2,553,325	3,078,893	2,518,209	8,767,275	2,483,672	746,512	11,997,459
3 BLUE HILL MEMORIAL HOSPITAL	09/30	-	-	266,252	(807,310)	425,843	(115,214)	-	859,085	743,870
4 BRIDGTON HOSPITAL	06/30	-	-	752,560	383,120	(601,851)	533,829	-	1,316,175	1,850,004
5 CHARLES. A. DEAN MEMORIAL HOSPITAL	09/30	-	124,321	218,104	116,265	528,144	986,834	11,604	279,784	1,278,222
6 CALAIS REGIONAL HOSPITAL	12/31	(133,392)	(224,221)	236,399	1,498,764	(649,093)	728,457	-	260,672	989,129
7 CARY MEDICAL CENTER	12/31	(30,670)	547,589	1,292,651	1,604,088	482,713	3,896,371	-	32,069	3,928,440
8 CENTRAL MAINE MEDICAL CENTER	06/30	-	-	14,814,753	9,690,527	12,298,691	36,803,971	-	1,384,703	38,188,674
9 DOWNEAST COMMUNITY HOSPITAL	12/31	(795,058)	(57,749)	(297,774)	584,104	-	(566,477)	464,278	766,648	664,449
10 EASTERN MAINE MEDICAL CENTER	09/30	-	14,409,859	24,852,569	18,826,881	12,036,492	70,125,801	935,401	3,647,260	74,708,463
11 FRANKLIN MEMORIAL HOSPITAL	06/30	-	1,507,994	3,715,200	5,932,692	4,950,016	16,105,902	-	538,353	16,644,254
12 HENRIETTA D. GOODALL HOSPITAL	05/31	-	-	3,507,775	5,469,159	4,017,189	12,994,123	-	779,586	13,773,708
13 HOULTON REGIONAL HOSPITAL	09/30	-	(29,527)	365,037	113,698	(1,130,394)	(681,186)	-	1,328,936	647,750
14 INLAND HOSPITAL	09/30	-	151,232	2,250,301	3,780,134	2,578,409	8,760,076	410,003	290,414	9,460,493
15 MAINE COAST MEMORIAL HOSPITAL	06/30	-	-	4,688,565	3,366,707	3,691,678	11,746,950	-	629,173	12,376,123
16 MAINE MEDICAL CENTER	09/30	-	14,934,655	17,208,971	32,787,706	14,713,883	79,645,215	-	2,237,332	81,882,547
17 MAINEGENERAL MEDICAL CENTER	06/30	-	7,465,089	8,675,604	17,021,266	11,346,154	44,508,113	-	3,118,127	47,626,240
18 MAYO REGIONAL HOSPITAL	09/30	(244,877)	381,101	430,525	2,550,414	(121,678)	2,995,485	346,857	1,285,348	4,627,690
19 MERCY HOSPITAL	12/31	(2,511,401)	3,067,844	8,527,259	10,363,787	3,565,615	23,013,104	-	681,989	23,695,093
20 MID COAST HOSPITAL	09/30	-	2,846,559	5,468,774	5,311,282	2,173,260	15,799,875	-	519,279	16,319,154
21 MILES MEMORIAL HOSPITAL	09/30	-	1,048,399	1,063,234	1,021,829	1,112,052	4,245,514	-	149,308	4,394,822
22 MILLINOCKET REGIONAL HOSPITAL	06/30	-	(59,004)	(294,849)	390,635	243,242	280,024	-	781,873	1,061,897
23 MOUNT DESERT ISLAND HOSPITAL	04/30	-	-	(237,606)	1,385,346	910,610	2,058,350	-	805,570	2,863,921
24 NEW ENGLAND REHABILITATION HOSPITAL	12/31	-	4,425	675,310	664,340	77,491	1,421,566	-	-	1,421,566
25 NORTHERN MAINE MEDICAL CENTER	09/30	-	320,160	508,550	1,645,797	849,316	3,323,823	832,519	214,260	4,370,602
26 PARKVIEW ADVENTIST MEDICAL CENTER	12/31	(1,269,909)	1,137,480	1,450,618	2,044,090	126,494	3,488,773	-	143,911	3,632,684
27 PEN BAY MEDICAL CENTER	03/31	-	-	3,317,832	6,228,298	4,068,022	13,614,152	-	921,151	14,535,303
28 PENOBSCOT VALLEY HOSPITAL	12/31	(107,613)	123,745	(47,311)	234,710	-	203,531	-	565,356	768,887
29 REDINGTON-FAIRVIEW GENERAL HOSPITAL	06/30	-	1,000,031	1,441,529	2,906,300	1,622,926	6,970,786	-	2,127,573	9,098,359
30 RUMFORD HOSPITAL	06/30	-	182,802	868,586	973,510	198,746	2,223,644	-	1,221,354	3,444,998
31 SEBASTICOOK VALLEY HOSPITAL	09/30	-	500,882	(484,208)	(314,584)	161,021	(136,889)	-	1,187,907	1,051,019
32 SOUTHERN MAINE MEDICAL CENTER	09/30	-	2,370,440	6,647,165	9,482,543	3,489,480	21,989,628	600,000	556,801	23,146,430
33 SPRING HARBOR HOSPITAL	09/30	-	(1,272,166)	1,300,898	(2,973,581)	3,690,039	745,190	-	4,368	749,558
34 ST. ANDREWS HOSPITAL	09/30	-	-	(28,338)	(92,003)	(66,755)	(187,096)	-	225,371	38,275
35 ST. JOSEPH HOSPITAL	12/31	-	1,364,421	2,853,741	3,462,830	1,701,798	9,382,790	-	604,014	9,986,804
36 ST. MARY'S REGIONAL MEDICAL CENTER	12/31	(934,465)	4,727,508	6,615,420	8,714,472	3,505,492	22,628,427	-	1,046,470	23,674,897
37 STEPHENS MEMORIAL HOSPITAL	09/30	-	503,923	1,477,326	4,618,379	1,756,077	8,355,705	-	340,896	8,696,602
38 WALDO COUNTY GENERAL HOSPITAL	09/30	-	1,013,201	1,551,049	678,714	(324,161)	2,918,803	-	1,689,894	4,608,697
39 YORK HOSPITAL	06/30	-	1,077,082	282,640	432,147	1,203,053	2,994,922	-	827,294	3,822,216
Totals		\$(6,027,385)	\$ 61,085,114	\$ 129,314,183	\$ 166,857,737	\$ 98,502,727	\$ 449,732,375	\$ 6,115,205	\$ 34,352,420	\$ 490,200,000

APPENDIX B

State of Maine
Federal and State Participation in Interim Hospital Cost Settlement
Issued September 16, 2013

APPENDIX C

Hospital	Federal Percentage 62.57%	State Percentage 37.43%	Total Settlement Paid
1 ACADIA HOSPITAL	\$ 4,649,390	\$ 2,781,312	\$ 7,430,702
2 THE AROOSTOOK MEDICAL CENTER	7,506,810	4,490,649	11,997,459
3 BLUE HILL MEMORIAL HOSPITAL	465,440	278,431	743,870
4 BRIDGTON HOSPITAL	1,157,547	692,456	1,850,004
5 CHARLES. A. DEAN MEMORIAL HOSPITAL	799,783	478,438	1,278,222
6 CALAIS REGIONAL HOSPITAL	618,898	370,231	989,129
7 CARY MEDICAL CENTER	2,458,025	1,470,415	3,928,440
8 CENTRAL MAINE MEDICAL CENTER	23,894,653	14,294,021	38,188,674
9 DOWNEAST COMMUNITY HOSPITAL	415,746	248,703	664,449
10 EASTERN MAINE MEDICAL CENTER	46,745,085	27,963,378	74,708,463
11 FRANKLIN MEMORIAL HOSPITAL	10,414,310	6,229,944	16,644,254
12 HENRIETTA D. GOODALL HOSPITAL	8,618,209	5,155,499	13,773,708
13 HOULTON REGIONAL HOSPITAL	405,297	242,453	647,750
14 INLAND HOSPITAL	5,919,431	3,541,063	9,460,493
15 MAINE COAST MEMORIAL HOSPITAL	7,743,740	4,632,383	12,376,123
16 MAINE MEDICAL CENTER	51,233,909	30,648,637	81,882,547
17 MAINEGENERAL MEDICAL CENTER	29,799,738	17,826,502	47,626,240
18 MAYO REGIONAL HOSPITAL	2,895,546	1,732,144	4,627,690
19 MERCY HOSPITAL	14,826,020	8,869,073	23,695,093
20 MID COAST HOSPITAL	10,210,895	6,108,259	16,319,154
21 MILES MEMORIAL HOSPITAL	2,749,840	1,644,982	4,394,822
22 MILLINOCKET REGIONAL HOSPITAL	664,429	397,468	1,061,897
23 MOUNT DESERT ISLAND HOSPITAL	1,791,955	1,071,966	2,863,921
24 NEW ENGLAND REHABILITATION HOSPITAL	889,474	532,092	1,421,566
25 NORTHERN MAINE MEDICAL CENTER	2,734,686	1,635,916	4,370,602
26 PARKVIEW ADVENTIST MEDICAL CENTER	2,272,970	1,359,713	3,632,684
27 PEN BAY MEDICAL CENTER	9,094,739	5,440,564	14,535,303
28 PENOBSCOT VALLEY HOSPITAL	481,093	287,795	768,887
29 REDINGTON-FAIRVIEW GENERAL HOSPITAL	5,692,843	3,405,516	9,098,359
30 RUMFORD HOSPITAL	2,155,535	1,289,463	3,444,998
31 SEBASTICOOK VALLEY HOSPITAL	657,622	393,396	1,051,019
32 SOUTHERN MAINE MEDICAL CENTER	14,482,721	8,663,709	23,146,430
33 SPRING HARBOR HOSPITAL	468,998	280,560	749,558
34 ST. ANDREWS HOSPITAL	23,949	14,326	38,275
35 ST. JOSEPH HOSPITAL	6,248,743	3,738,061	9,986,804
36 ST. MARY'S REGIONAL MEDICAL CENTER	14,813,383	8,861,514	23,674,897
37 STEPHENS MEMORIAL HOSPITAL	5,441,464	3,255,138	8,696,602
38 WALDO COUNTY GENERAL HOSPITAL	2,883,661	1,725,035	4,608,697
39 YORK HOSPITAL	2,391,561	1,430,655	3,822,216
Totals	\$ 306,718,140	\$ 183,481,860	\$ 490,200,000

State of Maine
Interim Cost Settlement Reports - Appeals
Issued September 16, 2013

	Fiscal Year End Mo/Day	Fiscal Years					Totals
		2004	2005	2006	2007	2008	
1 ACADIA HOSPITAL	09/30	\$ -	\$ -	\$ 30,871	-	\$ -	\$ 30,871
2 THE AROOSTOOK MEDICAL CENTER	09/30	-	719,042	778,439	479,240	506,951	2,483,672
3 CHARLES. A. DEAN MEMORIAL HOSPITAL	09/30	-	-	11,604	-	-	11,604
4 DOWNEAST COMMUNITY HOSPITAL	12/31	65,492	-	292,595	106,191	-	464,278
5 EASTERN MAINE MEDICAL CENTER	09/30	935,401	-	-	-	-	935,401
6 INLAND HOSPITAL	09/30	113,907	296,096	-	-	-	410,003
7 MAYO REGIONAL HOSPITAL	09/30	346,857	-	-	-	-	346,857
8 NORTHERN MAINE MEDICAL CENTER	09/30	-	-	682,327	44,530	105,662	832,519
9 SOUTHERN MAINE MEDICAL CENTER	09/30	600,000	-	-	-	-	600,000
Totals		<u>\$ 2,061,657</u>	<u>\$ 1,015,138</u>	<u>\$ 1,795,836</u>	<u>\$ 629,961</u>	<u>\$ 612,613</u>	<u>\$ 6,115,205</u>

State of Maine
Interim Crossover Payments Cost Settlement Reports
Issued September 16, 2013

	Fiscal Year End Mo/Day	Fiscal Years				Totals
		2007 Crossover Payments	2008 Crossover Payments	2009 Crossover Payments	2010 Crossover Payments	
1 ACADIA HOSPITAL	09/30	\$ 4,423	\$ 804	\$ 1,371	\$ 231,006	\$ 237,604
2 THE AROOSTOOK MEDICAL CENTER	09/30	35,112	20,011	13,265	678,124	746,512
3 BLUE HILL MEMORIAL HOSPITAL	09/30	-	-	-	859,085	859,085
4 BRIDGTON HOSPITAL	06/30	30,094	42,813	68,556	1,174,712	1,316,175
5 CHARLES. A. DEAN MEMORIAL HOSPITAL	09/30	5,630	11,094	1,796	261,264	279,784
6 CALAIS REGIONAL HOSPITAL	12/31	-	7,034	(140,389)	394,027	260,672
7 CARY MEDICAL CENTER	12/31	-	-	-	32,069	32,069
8 CENTRAL MAINE MEDICAL CENTER	06/30	77,834	78,290	75,735		1,384,703
9 DOWNEAST COMMUNITY HOSPITAL	12/31	14,499	-	-	752,149	766,648
10 EASTERN MAINE MEDICAL CENTER	09/30	151,036	129,397	84,793	3,282,034	3,647,260
11 FRANKLIN MEMORIAL HOSPITAL	06/30	-	-	-	538,353	538,353
12 HENRIETTA D. GOODALL HOSPITAL	05/31	-	-	-	779,586	779,586
13 HOULTON REGIONAL HOSPITAL	09/30	55,865	22,108	36,535	1,214,428	1,328,936
14 INLAND HOSPITAL	09/30	-	-	16,402	274,012	290,414
15 MAINE COAST MEMORIAL HOSPITAL	06/30	-	-	-	629,173	629,173
16 MAINE MEDICAL CENTER	09/30	110,655	121,777	175,246	1,829,654	2,237,332
17 MAINEGENERAL MEDICAL CENTER	06/30	60,006	12	621	3,057,488	3,118,127
18 MAYO REGIONAL HOSPITAL	09/30	-	5,560	-	1,279,788	1,285,348
19 MERCY HOSPITAL	12/31	-	-	-	681,989	681,989
20 MID COAST HOSPITAL	09/30	-	-	27,617	491,662	519,279
21 MILES MEMORIAL HOSPITAL	09/30	6,301	4,457	1,608	136,942	149,308
22 MILLINOCKET REGIONAL HOSPITAL	06/30	-	-	2,675	779,198	781,873
23 MOUNT DESERT ISLAND HOSPITAL	04/30	-	-	-	805,570	805,570
24 NEW ENGLAND REHABILITATION HOSPITAL	12/31	-	-	-	-	-
25 NORTHERN MAINE MEDICAL CENTER	09/30	-	-	-	214,260	214,260
26 PARKVIEW ADVENTIST MEDICAL CENTER	12/31	-	-	-	143,911	143,911
27 PEN BAY MEDICAL CENTER	03/31	22,181	40,922	-	858,048	921,151
28 PENOBSCOT VALLEY HOSPITAL	12/31	11,586	20,961	985	531,824	565,356
29 REDINGTON-FAIRVIEW GENERAL HOSPITAL	06/30	-	-	-	2,127,573	2,127,573
30 RUMFORD HOSPITAL	06/30	26,797	50,110	71,495	1,072,953	1,221,354
31 SEBASTICOOK VALLEY HOSPITAL	09/30	-	1,487	15,106	1,171,314	1,187,907
32 SOUTHERN MAINE MEDICAL CENTER	09/30	-	-	-	556,801	556,801
33 SPRING HARBOR HOSPITAL	09/30	-	-	-	4,368	4,368
34 ST. ANDREWS HOSPITAL	09/30	4,833	13,258	4,322	202,958	225,371
35 ST. JOSEPH HOSPITAL	12/31	-	-	-	604,014	604,014
36 ST. MARY'S REGIONAL MEDICAL CENTER	12/31	91,213	131,282	91,521	732,454	1,046,470
37 STEPHENS MEMORIAL HOSPITAL	09/30	1,889	-	(42,588)	381,595	340,896
38 WALDO COUNTY GENERAL HOSPITAL	09/30	32,620	68,261	29,636	1,559,377	1,689,894
39 YORK HOSPITAL	06/30	-	-	-	827,294	827,294
Totals		<u>\$ 742,574</u>	<u>\$ 769,638</u>	<u>\$ 536,308</u>	<u>\$ 31,151,057</u>	<u>\$ 34,352,420</u>

**State of Maine
Status of Final MaineCare Cost Settlements**

Legend:

- A:** Final Cost Settlement Report issued by Maine DHHS Division of Audit after receiving Medicare Final Cost Report from National Government Services (NGS)
- B:** Medicare Final Cost Report received from NGS on various dates from 8/18/2006 to 02/08/2010. No Final Cost Settlement Report has been issued by DHHS Division of Audit
- C:** Medicare Final Cost Report received from NGS on September 15, 2014 after inquiries made by the Office of the State Auditor. No Final Cost Settlements issued by DHHS Division of Audit.
- D:** Medicare Final Cost Report received from NGS on April 3, 2015 and May 19, 2015. Final Cost Settlement Report has not been issued by the DHHS Division of Audit.
- E:** Medicare Final Cost Report has not been received from NGS by the DHHS Division of Audit.
- F:** Hospital parent company headquartered in Alabama. DHHS Division of Audit in process of obtaining Final Cost Report from Medicaid Administrative Contractor in Alabama.

Hospital	Fiscal	Fiscal Years										
	Year End Mo/Day	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1 ACADIA HOSPITAL	09/30	A	C	C	C	C	C	D	D	E	E	E
2 THE AROOSTOOK MEDICAL CENTER	09/30	A	E	E	C	C	C	E	E	E	E	E
3 BLUE HILL MEMORIAL HOSPITAL	09/30	A	D	C	C	C	C	E	E	E	E	E
4 BRIDGTON HOSPITAL	06/30	A	D	C	C	C	C	E	E	E	E	E
5 CHARLES. A. DEAN MEMORIAL HOSPITAL	09/30	A	D	C	C	C	C	E	E	E	E	E
6 CALAIS REGIONAL HOSPITAL	12/31	A	D	C	C	C	C	E	E	E	E	E
7 CARY MEDICAL CENTER	12/31	A	E	C	C	C	C	D	D	E	E	E
8 CENTRAL MAINE MEDICAL CENTER	06/30	B	E	E	C	C	C	D	E	E	E	E
9 DOWNEAST COMMUNITY HOSPITAL	12/31	A	D	C	C	C	C	E	E	E	E	E
10 EASTERN MAINE MEDICAL CENTER	09/30	A	E	E	C	C	C	E	E	E	E	E
11 FRANKLIN MEMORIAL HOSPITAL	06/30	A	E	E	C	C	C	E	E	D	E	E
12 HENRIETTA D. GOODALL HOSPITAL	05/31	B	E	E	C	C	C	D	D	E	E	E
13 HOULTON REGIONAL HOSPITAL	09/30	A	D	C	C	C	C	E	E	E	E	E
14 INLAND HOSPITAL	09/30	B	E	E	C	C	C	D	D	D	E	E
15 MAINE COAST MEMORIAL HOSPITAL	06/30	B	E	E	C	C	C	D	D	D	E	E
16 MAINE MEDICAL CENTER	09/30	B	E	C	C	C	C	D	D	E	E	E
17 MAINEGENERAL MEDICAL CENTER	06/30	B	E	E	C	C	C	E	E	E	E	E
18 MAYO REGIONAL HOSPITAL	09/30	A	D	C	C	C	C	E	E	E	E	E
19 MERCY HOSPITAL	12/31	A	E	C	D	D	D	D	D	D	E	E
20 MID COAST HOSPITAL	09/30	A	E	C	C	C	C	D	D	E	E	E
21 MILES MEMORIAL HOSPITAL	09/30	A	E	C	C	C	C	D	D	D	E	E
22 MILLINOCKET REGIONAL HOSPITAL	06/30	A	A	C	C	C	C	E	E	E	E	E
23 MOUNT DESERT ISLAND HOSPITAL	04/30	A	A	C	C	C	C	E	E	E	E	E
24 NEW ENGLAND REHABILITATION HOSPITAL	12/31	F	F	F	F	F	F	F	F	F	F	F

CONTINUED ON NEXT PAGE

**State of Maine
Status of Final MaineCare Cost Settlements**

Legend:

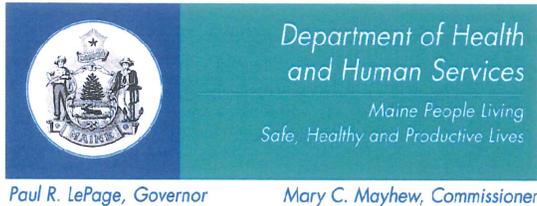
- A:** Final Cost Settlement Report issued by Maine DHHS Division of Audit after receiving Medicare Final Cost Report from National Government Services (NGS)
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CONTINUED FROM PREVIOUS PAGE

Hospital	Fiscal Year End Mo/Day	Fiscal Years										
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
25 NORTHERN MAINE MEDICAL CENTER	09/30	A	E	C	C	C	C	D	D	E	E	E
26 PARKVIEW ADVENTIST MEDICAL CENTER	12/31	A	E	C	C	C	C	D	D	D	E	E
27 PEN BAY MEDICAL CENTER	9/30	A	B	C	C	C	C	D	D	D	E	E
28 PENOBSCOT VALLEY HOSPITAL	12/31	B	D	C	C	C	C	E	E	E	E	E
29 REDINGTON-FAIRVIEW GENERAL HOSPITAL	06/30	B	E	C	C	C	C	E	E	E	E	E
30 RUMFORD HOSPITAL	06/30	B	C	C	C	C	C	E	E	E	E	E
31 SEBASTICOOK VALLEY HOSPITAL	09/30	A	E	C	C	C	C	E	E	E	E	E
32 SOUTHERN MAINE MEDICAL CENTER	09/30	A	B	E	C	C	C	D	D	E	E	E
33 SPRING HARBOR HOSPITAL	09/30	A	B	B	B	E	C	C	C	C	D	E
34 ST. ANDREWS HOSPITAL	09/30	A	D	C	C	C	C	E	E	E	E	E
35 ST. JOSEPH HOSPITAL	12/31	A	E	C	C	C	C	D	D	E	E	E
36 ST. MARY'S REGIONAL MEDICAL CENTER	12/31	B	E	C	C	C	C	D	D	E	E	E
37 STEPHENS MEMORIAL HOSPITAL	09/30	B	E	C	C	C	C	D	E	E	E	E
38 WALDO COUNTY GENERAL HOSPITAL	09/30	B	E	C	C	C	C	E	E	E	E	E
39 YORK HOSPITAL	06/30	A	E	E	C	C	C	D	D	D	E	E

A: Only "A" has been finalized and settled resulting in an exchange of funds between the hospital and the State.

B, C, D, E and F: These reports have not been finalized and represent an unknown receivable or payable to be realized by the State. Once the amount is realized by the State, the State is then responsible for returning (a receivable due the State from the hospital) or expending (a payable due the hospital from the State) the federal share as appropriate.



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August 13, 2015

Pola Buckley, CPA, CIA, State Auditor
Office of the State Auditor
#66 State House Station
Augusta, Maine 04333-0066

Re: Report on Limited Procedures Engagement – Hospital Cost Settlements

Dear Ms. Buckley:

The Department of Health and Human Services (DHHS) appreciates the opportunity to respond to the above mentioned draft audit report. We offer the following comments in relation to the conclusions and recommendations on Page 4 of this report.

For your convenience, below we include the conclusions and recommendations followed by our response. Our response includes the proposed corrective action plan for each conclusion and recommendation.

Conclusion and Recommendation (1):

We conclude that the Maine DHHS complied with regulations regarding the timing and amount of the Interim Cost Settlements with Maine hospitals on September 16, 2013.

Conclusion and Recommendation (2):

Due to the large number of “NGS Desk Review/Audits” recently received by the Maine DHHS Division of Audit from NGS (See Appendix F), we recommend that the Division of Audit prioritize its resources in an effort to issue Final Cost Settlement Reports with Maine hospitals as soon as possible.

State Agency Response:

The Department has dedicated two additional staff to address the hospital audits. As noted by the Office of the State Auditor, the Department had not received settlement reports from NGS for a number of years, until recently when they sent 200 Final Cost Settlement Reports.

Conclusion and Recommendation (3):

We recommend that the DHHS Division of Audit work closely with NGS to ensure that it has received all “NGS Desk Review/Audit” reports that have been completed. In addition, the Division should stay in close contact with NGS to ensure that it receives future “NGS Desk Review/Audit” reports in a timely manner.

State Agency Response:

The Department has contact with NGS. We will send monthly reminders for the audited cost reports.

Conclusion and Recommendation (4):

We recommend that the DHHS Division of Audit submit a quarterly report to the DHHS Commissioner regarding the status of all Final Cost Settlements not yet paid or received. As the amount due to or from the hospital is identified but yet realized, the dollar value of the settlement should be reported. We suggest that the DHHS Commissioner report this information annually to the Appropriations and Financial Affairs Committee.

State Agency Reponses:

The Division of Audit meets regularly with the Commissioner's Office to keep Department leadership abreast of Final Cost Settlement status.

Thank you for your consideration.

Sincerely,



Mary C. Mayhew
Commissioner

MCM/klv