

**Oregon Healthcare Enterprises**

4000 Kruse Way Place, B2-100  
Lake Oswego, OR 97035

**INVOICE**

Invoice Number: 2011-503  
Invoice Date: Oct 27, 2011  
Page: 1

*Duplicate*

Voice: 503-636-2204

Fax: 503-636-8310

**Bill To:**

Division of Medical Assistance Programs  
500 Summer Street NE, E49  
Salem, OR 97301-1079

**Ship to:**

Division of Medical Assistance Programs  
500 Summer Street NE, E49  
Salem, OR 97301-1079

| Customer ID  | Customer PO     | Payment Terms |          |
|--------------|-----------------|---------------|----------|
| DMAP         |                 | Net Due       |          |
| Sales Rep ID | Shipping Method | Ship Date     | Due Date |
|              | Courier         |               | 10/27/11 |

| Quantity               | Item | Description  | Unit Price | Amount            |
|------------------------|------|--|------------|-------------------|
|                        |      | 3Q 2011 - OHE Staff & Subcontracted<br>financial expertise expense |            | 108,675.00        |
|                        |      | Billable IT Support Costs  |            | 2,225.00          |
| Subtotal               |      |  |            | 110,900.00        |
| Sales Tax              |      |  |            |                   |
| Total Invoice Amount   |      |  |            | 110,900.00        |
| Payment/Credit Applied |      |  |            |                   |
| <b>TOTAL</b>           |      |  |            | <b>110,900.00</b> |

Check/Credit Memo No:

PCA 85632  
Index 80300  
Adj 4555  
OK to pay *[Signature]*  
V Stiteler

**OREGON HEALTHCARE ENTERPRISES**  
**QUARTERLY REPORT-July 1, 2011 to September 30, 2011**  
**STATE OF OREGON CONTRACT # 130247-2**  
**EFFECTIVE FEBRUARY 15, 2011**

The enclosed report, covering the time period from July 1, 2011 to September 30, 2011, is the required quarterly report under Oregon Healthcare Enterprises (OHE) contract with the State of Oregon to assist the State in the administration of the Hospital Provider Tax.

OHE has established a successful operating and monitoring environment for the Hospital Provider Tax that began October 1, 2009. Building on OHE's six years of successful administrative support for the Tax Program, a number of new or improved processes and procedures were put in place to address changes and issues that have been identified during OHE's operation of this contract. Those changes are enumerated in the following report, which is based on the Contract Statement of Work, Exhibit A, Part 1, Section 2, which lists the services to support the program:

**a. "Conduct a weekly review and verification of the accuracy of State payment rates to Providers, prior to program implementation, to avoid errors and eliminate rework and payment disputes"**

OHE performance: OHE staff reviewed weekly remittance advices and claims processing information supplied by the State. OHE staff held monthly meetings with DMAP staff to review the DMAP-developed tracking report. In the monthly meetings held in July, August and September, OHE presented the results of its review of the third quarter's processing and potential reconciliation issues between OHE weekly processing reports and State Provider Tax tracking reports.

The major adjustment that occurred in June, 2011 that had to be incorporated into the Q3 tax reporting and claims history records for equilibrium tracking, related to DMAP recoupment of MCO claims paid through the MMIS system in error. This recoupment process impacted every hospital. OHE and DMAP reviewed the detailed claims that were recouped, and identified needed adjustments to the system. Once the amounts were identified, they were sent to the reviewer at Moss-Adams, who reviewed and signed off on the accuracy of the adjustment computation and the logic used to make the adjustments. Once that process was completed, the adjustments were set up for actual implementation, which will occur in Q4 in conjunction with OHE's normal processing of claims.

**b. "Review and make recommendations on State operational policies and procedures to minimize State operational costs and simplify system operations."**

OHE Performance: OHE met with State staff in scheduled monthly meetings to review operational policies, procedures and performance. OHE provided DMAP staff with its

updated findings related to the computation of the amount of Provider tax and its correlation to the equilibrium model needed to keep the program in balance.

OHE provided state staff with an update on the ongoing OHE review that had earlier identified 23 potential areas where changes needed to be made to the equilibrium reporting system. Of the original 23, 18 issues had been reviewed by OHE with DMAP staff and the adjustments needed by both parties agreed upon. OHE had each adjustment reviewed by Moss Adams who verified the accuracy of the calculations and the validity of the approach to the adjustments. OHE reported that 4 of the remaining 5 issues of the original 23 issues had been reviewed, discussed with Moss Adams, reviewed with state staff and actual adjustments made to the system to reflect the most current policies and payments made to the participating hospitals.

The remaining one adjustment of the original 23 is a very minor one which is expected to be addressed by the end of CY 2011.

OHE monitored the payments from MCO's to verify that each of the MCO's had made their required payments and that the payment amounts were reconciled to the amounts provided to OHE by DMAP. OHE identified late payments made by MCO's and provided that information to DMAP.

The main activity of OHE during this reporting period involved assessing the changes proposed by the State in the Provider Tax program, identifying the modifications in processes that would be required to implement the changes, and meeting with DMAP staff on a frequent basis to discuss the issues that needed to be addressed during the transition from the previous Provider Tax program to the revised program.

OHE retained expert assistance from Health Management Associates (HMA) to create a series of models and recommendations that were provided to DMAP to assist in determining a number of key factors that influence the Tax program. The main one was to evaluate the amount of provider, state, and federal funds that were needed to maintain provider rates with minimal impact in terms of cuts. As a result of modeling and discussions with DMAP, a new tax rate was put in place July 1, 2011 that increased the rate from the previous 2.3% to 5.25% and significantly altered the methodology used for payments to hospitals for services. OHE, its consultant HMA, and DMAP worked together to create new fee for service payment methodologies, and assisted in creating new hospital payment methodologies for use by Managed Care Organizations. OHE and HMA also provided expertise in evaluating various approaches to managing the program within CMS requirements.

OHE and DMAP staff also began discussions regarding the development of a more comprehensive monitoring system for both organizations to monitor combined payments against the various federal payment limitations and comply with those limits.

OHE and DMAP staff also worked with Oregon Health and Science University (OHSU) to evaluate the method by which the current Oregon system for making Disproportionate

Share Hospital payments was being managed and identified an approach that would take into consideration the contribution of all 58 Oregon hospitals in serving uncompensated patients and Medicaid patients. OHE, OHSU and DMAP developed a new methodology to utilize the Provider Tax program to fully fund OHSU's DSH program and also bring in new funds to serve Oregon residents at the other 57 hospitals. A new monitoring and reporting system will be developed by OHE to provide OHSU, OHE and DMAP with current information regarding the DSH.

**c. "Develop and work with State staff to implement standardized hospital reporting and processes to minimize implementation and operational costs."**

OHE Performance: OHE developed and implemented a revised set of standard reports for hospitals and the State to utilize in monitoring the implementation and performance of the Provider Tax program. OHE met with DMAP staff in 3 monthly meetings to review updated reports used by DMAP to monitor the performance of the Provider Tax program and discuss findings from the reports. OHE provided State staff information to address issues identified during OHE operational reviews which will lead to improved and updated forecasts of the operating costs of the provider tax program. The OHE Provider Tax issue tracking document has become one of the ongoing monitoring tools used by the hospitals, OHE and DMAP to manage the program.

OHE proposed a new method for DMAP to collect and evaluate hospital payments from MCO's for the purpose of determining the appropriate payment rates for hospital services to MCO's. The previous methodology involved an annual survey of hospitals where payments by MCO's were assessed. The new methodology proposed by OHE will collect this data quarterly, resulting in a better reflection of changes in utilization and enrollment on MCO's hospital payments. This will be utilized by DMAP and OHE in monitoring the equilibrium within the Provider Tax program, and make adjustments as MCO enrollment continues to grow.

**d. "Review and reconcile hospital payments to validate claims payment and rate accuracy and provide information to the State to correct identified issues"**

OHE Performance: OHE conducts a weekly review of hospital payments and evaluates payments for claims payment and rate accuracy. OHE provided input to DMAP regarding claims processing and rate implementation for implementation during the new state fiscal year. OHE also worked closely with DMAP staff to facilitate the claims recoupment process DMAP undertook. OHE communicated DMAP plans to impacted hospitals, evaluated the claims recoupment process, apportioned the claims recoupment between the original Provider Tax program and the currently operational Provider Tax, and updated the model and reporting to reflect the impact these changes had on the tax program and the individual participating hospitals.

**e. “Review cost reports from hospitals and state cost reconciliations and make recommendations on the process”**

OHE Performance: During this quarterly period, no new cost reports for the cost reporting and settlement periods were provided by DMAP to OHE as a result of CMS level review of cost report issues. OHE and DMAP updated their understanding that CMS will release further cost report settlements after the new calendar year begins (2011). As a result, there was no review or recommendations required for this quarter.

**f. “Develop and work with Managed Care Organizations (MCO) across the state to implement payment processes and procedures to support the new Hospital Reimbursement Adjustment (HRA) process”**

OHE Performance: OHE worked with DMAP to identify the changes needed in payment processes and procedures needed to implement the final approved state budget and its related changes to the HRA payment program. OHE provided input to DMAP on designing the needed changes to payment processes to implement a new HRA payment component for hospitals. OHE also provided input to DMAP on methodology needed to update their calculations, currently conducted annually, on a quarterly basis to better reflect current hospital utilization and enrollment trends.

**g. “Monitor MCO processes and procedures to verify compliance with agreed upon program requirements and develop recommendations to the State for modifications to the program”**

OHE Performance: OHE implemented procedures and reports that monitor MCO HRA payments on a monthly basis. OHE staff review MCO payment reports for compliance with State program requirements and payment accuracy. Discrepancies are identified and brought to the attention of the respective MCO and DMAP for corrective action. .

**h. “ Subcontract with a financial firm, identifying a Key Person in that firm, to provide financial expertise, and be responsible to recommend replacement of either the firm or the firm’s Key Person for DHS review and acceptance should the need arise. The financial expertise will focus on the Medicaid payment, cost report, and settlement methodologies including, but not limited to review of claims payment.**

OHE Performance: OHE contracted with Moss Adams LLP, a nationally recognized CPA and consulting firm, to provide financial expertise. Moss Adams has worked with the Oregon hospital provider tax program since its inception in 2004 and developed the processes and procedures used by OHE to track, manage, and evaluate the performance of the hospital provider tax program. In addition to its work with OHE, Moss Adams also has developed extensive expertise in hospital cost reporting, settlement methodologies and Medicaid payments through its work with a large number of Oregon hospitals as well as health care organizations throughout the United States.

Moss Adams senior client executive assigned to OHE and the hospital provider tax program is Cheryl Storey. Cheryl is OHE's designated "Key Person", required under the State contract.

Cheryl is a healthcare partner with the firm, located in their Portland, OR office. Since 2004, Cheryl has been the senior client executive working on the hospital provider tax program for OHE and its parent organization, the Oregon Association of Hospitals and Health Systems. Cheryl also provides reimbursement and cost reporting consulting services to a large number of Oregon hospitals, and has extensive experience with the Oregon Medicaid program.

During this quarter, Moss Adams assisted OHE in the review of issues identified by OHE and DMAP during the claims review of inpatient claims. They focused, at OHE's request, on the claims recoupment adjustments made by DMAP. Moss-Adams reviewed OHE's determination of the adjustments needed; the logic employed in updating the OHE system and provided input to OHE on the proposed adjustments.

**i. "Create and maintain a work group of experts, to include the sub-contractors Key Person, in hospital finance and operation of the Provider Tax program to review and then provide recommendations to State staff as requested when program changes are being developed":**

OHE Performance: OHE established the Provider Tax Advisory Committee, effective when OHE took over operation of the Provider Tax from the Oregon Association of Hospitals and Health Systems on October 1, 2010. The Provider Tax Advisory Committee (PTAC) is comprised of representatives of every Oregon hospital that participates in the hospital provider tax program. The PTAC meets on a quarterly basis or more frequently if program changes require, and is chaired by one of the member hospital committee members. PTAC representatives are typically the Chief Financial Officer of their participating hospital or a senior financial executive most knowledgeable about the tax program in the larger hospitals or health systems.

In addition to the hospital members, the Key Person from OHE, Kevin Earls; Cheryl Storey, the Key Person from Moss Adams; John Swanson, the Chief Financial Officer of OHE, Wendell Whitehouse, OHE's Director for Hospital Tax Programs and liaison to DMAP and John Cochran, OHE's Senior Business Advisor, participate in the meetings of PTAC.

At its July 28, 2011, meeting, the PTAC reviewed the proposed changes to the Provider Tax program that were under consideration by DMAP. There was a detailed discussion of the potential approaches to the new HRA payment that will flow through the MCO's. The PTAC provided OHE with their preferred alternatives to addressing this issue which was incorporated into OHE's discussions with DMAP. The PTAC also reviewed the resolution of the recoupment issues discussed in (a) above and provided OHE with input on the most effective method to address the reconciliation.

**i. Information technology costs incurred during this quarterly reporting period:**

Under OHE's contract with DMAP, certain costs related to information technology hardware, development of software and ongoing information technology operations to carry out the Scope of Work requirements for the provider tax program are reimbursable. OHE's external software support contractor developed and created the necessary systems updates to support the MCO Recoupment Adjustments and the related updates of the OHE equilibrium model reporting system. This totaled \$2,225.00.

**OREGON HEALTHCARE ENTERPRISES**  
**A Subsidiary of Oregon Association of Hospitals & Health Systems**  
4000 Kruse Way Place, Bldg 2 Suite 100, Lake Oswego, OR 97035  
503/636-2204, Fax: 503/636-8310

## INVOICE

Vickie Stiteler  
Division of Medical Assistance Programs  
500 Summer Street NE, E49  
Salem OR 97301-1079

Invoice Date: 8/3/11  
Invoice #: 2011-502  
Terms: Upon Receipt  
Contract #: 130247-2

| DESCRIPTION  | AMOUNT            |
|--|-------------------|
| Services rendered 2Q 2011:<br>OHE staff and sub-contracted financial expertise expense | \$ 108,675        |
| Total:   | <u>\$ 108,675</u> |

PCA 85132  
Index 74010  
AOBJ 4555

ok to pay   
VICKIE STITELER

PLEASE MAKE CHECK PAYABLE TO:

**Oregon Healthcare Enterprises**  
Federal Tax ID # 93-0999777

Copy 1 Original  
Yellow 2 Remittance Copy  
Pink 3 File Copy



**OREGON HEALTHCARE ENTERPRISES  
QUARTERLY REPORT  
STATE OF OREGON CONTRACT # 130247-2  
EFFECTIVE FEBRUARY 15, 2011**

The enclosed report, covering the time period from April 1, 2011 to June 30, 2011, is the required quarterly report under Oregon Healthcare Enterprises (OHE) contract with the State of Oregon to assist the State in the administration of the Hospital Provider Tax.

OHE has established a successful operating and monitoring environment for the Hospital Provider Tax that began October 1, 2009. Building on OHE's six years of successful administrative support for the Tax Program, a number of new or improved processes and procedures were put in place to address changes and issues that have been identified during OHE's operation of this contract. Those changes are enumerated in the following report, which is based on the Contract Statement of Work, Exhibit A, Part 1, Section 2, which lists the services to support the program:

**a. "Conduct a weekly review and verification of the accuracy of State payment rates to Providers, prior to program implementation, to avoid errors and eliminate rework and payment disputes"**

OHE performance: OHE staff reviewed weekly remittance advices and claims processing information supplied by the State. As a result of review of weekly payments, OHE determined that there were potential discrepancies in the methodology being used to calculate enhanced payment amounts. After detailed review of issues identified by OHE staff and its contractor, Moss-Adams, changes were made in the methodology used by OHE in tracking and reporting on weekly provider tax claims. . During this quarterly time period, as a result of a detailed claims reconciliation process conducted jointly by OHE and DMAP staff, a number of additional areas for improvement were identified. A detailed report was developed to create a tracking tool for OHE and DMAP staff to utilize in identifying potential problems, tracking their resolution and managing issues that have been resolved. OHE and DMAP staff agreed that the report format developed by OHE to track issues would be the one utilized for problem identification and resolution. OHE staff has held monthly meetings with DMAP staff to refine the tracking report and are providing it to DMAP staff in conjunction with regularly scheduled monthly meetings. In the monthly meetings held in May and June, 2011, OHE presented the results of its review of the second quarter's processing and potential reconciliation issues between OHE weekly processing reports and State Provider Tax tracking reports. A discussion regarding updates to State and OHE reporting identified the need to update both organizations Tax reporting systems to reflect changes in Oregon Health Plan enrollment. OHE staff has been tracking actual enrollments which were not in line with the forecast documents. There was an agreement to update the forecast for a future date. and other issues that may require future adjustments to reporting.

**b. “Review and make recommendations on State operational policies and procedures to minimize State operational costs and simplify system operations.”**

OHE Performance: OHE met with State staff in scheduled monthly meetings to review operational policies, procedures and performance. As a result, potential issues related to the computation of enhanced payments and the provider tax rate being used in DMAP forecasts were identified and potential solutions discussed. OHE provided DMAP staff with its updated findings related to the computation of the amount of Provider tax and its correlation to the equilibrium model needed to keep the program in balance. OHE and state staff agreed that the equilibrium reporting would need to be updated once OHE completes its forthcoming adjustments related to the computation of outlier payments. Once that is done, state staff will update their forecasts and OHE and state staff will review the forecast to develop recommendations regarding changes, if any, that would be required to the equilibrium model and the related tax rates.

OHE provided state staff with an update on the ongoing OHE review that had earlier identified 23 potential areas where changes needed to be made to the equilibrium reporting system. Of the original 23, 18 issues had been reviewed by OHE with DMAP staff and the adjustments needed by both parties agreed upon. OHE had each adjustment reviewed by Moss Adams who verified the accuracy of the calculations and the validity of the approach to the adjustments. OHE reported that 4 of the remaining 5 issues of the original 23 issues had been reviewed, discussed with Moss Adams, reviewed with state staff and actual adjustments made to the system to reflect the most current policies and payments made to the participating hospitals. The 4 adjustments were:

1. Medicare cross-over claims to conform OHE’s processing to the methodology agreed to with DMAP- Adjustment 005
2. Conform the methodology between OHE and DMAP for the computation of the threshold for outlier claims and the resultant impact on enhanced payment computation- Adjustment 006
3. Correction of data that was missing from DMAP related to Medicare payments that were being included in the EOB fields of the remittance advices- Adjustment 007.
4. Revision of the computation methodology for claims that had negative enhanced payment amounts-Adjustment 008
5. During this review process, a very small number of duplicate claims were identified and discussed with DMAP. DMAP researched the duplicates and identified a correction to this very small issue.

OHE monitored the payments from MCO’s to verify that each of the MCO’s had made their required payments and that the payment amounts were reconciled to the amounts provided to OHE by DMAP.

OHE staff held regular monthly meeting with DMAP staff to review operations and discuss issues that have been identified.

**c. “Develop and work with State staff to implement standardized hospital reporting and processes to minimize implementation and operational costs.”**

OHE Performance: OHE developed and implemented a revised set of standard reports for hospitals and the State to utilize in monitoring the implementation and performance of the Provider Tax program. OHE met with DMAP staff to review updated reports used by DMAP to monitor the performance of the Provider Tax program and discuss findings from the reports. OHE provided State staff information to address issues identified during OHE operational reviews which will lead to improved and updated forecasts of the operating costs of the provider tax program. The OHE Provider Tax issue tracking document has become one of the ongoing monitoring tools used by the hospitals, OHE and DMAP to manage the program.

**d. “Review and reconcile hospital payments to validate claims payment and rate accuracy and provide information to the State to correct identified issues”**

OHE Performance: OHE, in its review of claims payment during the first quarter of this contract identified potential issues and has also identified potential resolution of these issues, reviewed them with Moss-Adams and developed adjustments as enumerated above to address them. Information was provided to DMAP regarding the issues.

OHE completed the design and development process for the updating of its information technology platform used to track weekly payments and identify ongoing opportunities for improvement in the program. The first upgrade occurred in late 2010. The planned system upgrade occurred in April of 2011. Results were evaluated by OHE staff to verify that it was providing the data as designed.

**e. “Review cost reports from hospitals and state cost reconciliations and make recommendations on the process”**

OHE Performance: During this quarterly period, no new cost reports for the cost reporting and settlement periods were provided by DMAP to OHE as a result of CMS level review of cost report issues. It is our understanding that CMS will release further cost report settlements after the new calendar year begins (2011). As a result, there was no review or recommendations required for this quarter.

**f. “Develop and work with Managed Care Organizations (MCO) across the state to implement payment processes and procedures to support the new Hospital Reimbursement Adjustment (HRA) process”**

OHE Performance: OHE worked with State staff to identify procedures necessary to compute the HRA payment process for MCO’s. OHE staff developed an implementation

plan for each MCO that reflected that organization's ability to provide information to OHE to incorporate MCO HRA payments into each individual hospital's accounts. OHE monitored MCO performance during this quarter. A report is provided to DMAP on a monthly basis that shows MCO payment timeliness and accuracy. Those MCO's that did not meet the timeliness requirements were identified and DMAP made the necessary inquiries to achieve timely payment. Several MCO's have had issues with late payments to hospitals, despite receiving timely payments from DMAP. These MCO's were identified and the information provided to DMAP for their further review and follow up.

**g. "Monitor MCO processes and procedures to verify compliance with agreed upon program requirements and develop recommendations to the State for modifications to the program"**

OHE Performance: OHE developed and implemented procedures and reports that monitor MCO HRA payments on a monthly basis. OHE staff review MCO payment reports for compliance with State program requirements and payment accuracy. Discrepancies are identified and brought to the attention of the respective MCO and DMAP for corrective action. Two MCO's in April and 4 in June did not meet their timely payments.

OHE developed and provides DMAP a report shortly after the due dates of MCO payments identifying potential issues with either timeliness or accuracy of payments. . This was reported to DMAP for their follow up with the respective MCO. OHE also developed monitoring reports for MCO payment of Graduate Medical Education payments (GME) for the hospitals that provide medical education programs and implemented the necessary changes to its system to track GME payments to each hospital.

OHE staff reported that OHE's tracking of the MCO's HRA data indicated a substantial growth in MCO payments and enrollment compared to DMAP's forecasted growth in MCO payments and enrollment. After a review of data, it was agreed that state staff would update their enrollment forecasts to reflect the most current MCO enrollments forecasts available so payments and enrollment growth would track more consistently and facilitate OHE's provision of information to the participating hospitals.

**h. "Subcontract with a financial firm, identifying a Key Person in that firm, to provide financial expertise, and be responsible to recommend replacement of either the firm or the firm's Key Person for DHS review and acceptance should the need arise. The financial expertise will focus on the Medicaid payment, cost report, and settlement methodologies including, but not limited to review of claims payment."**

OHE Performance: OHE contracted with Moss Adams LLC, a nationally recognized CPA and consulting firm, to provide financial expertise. Moss Adams has worked with the Oregon hospital provider tax program since its inception in 2004 and developed the processes and procedures used by OHE to track, manage, and evaluate the performance of the hospital provider tax program. In addition to its work with OHE, Moss Adams

also has developed extensive expertise in hospital cost reporting, settlement methodologies and Medicaid payments through its work with a large number of Oregon hospitals as well as health care organizations throughout the United States.

Moss Adams senior client executive assigned to OHE and the hospital provider tax program is Cheryl Storey. Cheryl is OHE's designated "Key Person", required under the State contract.

Cheryl is a healthcare partner with the firm, located in their Portland, OR office. Since 2004, Cheryl has been the senior client executive working on the hospital provider tax program for OHE and its parent organization, the Oregon Association of Hospitals and Health Systems. Cheryl also provides reimbursement and cost reporting consulting services to a large number of Oregon hospitals, and has extensive experience with the Oregon Medicaid program.

During this quarter, Moss Adams assisted OHE in the review of issues identified by OHE and DMAP during the claims review of inpatient claims. Moss-Adams staff reviewed the results of the computations used by OHE for Adjustments 005, 006, 007 and 008 for both accuracy and the logic of approach used. They provided feedback to OHE regarding their review which was incorporated into the information provided to hospitals and DMAP.

**i. "Create and maintain a work group of experts, to include the sub-contactors Key Person, in hospital finance and operation of the Provider Tax program to review and then provide recommendations to State staff as requested when program changes are being developed":**

OHE Performance: OHE established the Provider Tax Advisory Committee, effective when OHE took over operation of the Provider Tax from the Oregon Association of Hospitals and Health Systems on October 1, 2010. The Provider Tax Advisory Committee (PTAC) is comprised of representatives of every Oregon hospital that participates in the hospital provider tax program. The PTAC meets on a quarterly basis or more frequently if program changes require, and is chaired by one of the member hospital committee members. PTAC representatives are typically the Chief Financial Officer of their participating hospital or a senior financial executive most knowledgeable about the tax program in the larger hospitals or health systems. During this shortened reporting period, the PTAC was not scheduled to meet since it's April 28<sup>th</sup> meeting until July 28<sup>th</sup>.

In addition to the hospital members, the Key Person from OHE, Kevin Earls; Cheryl Storey, the Key Person from Moss Adams; John Swanson, the Chief Financial Officer of OHE, and Wendell Whitehouse, OHE's Director for Hospital Tax Programs and liaison to DMAP, participate in the meetings of PTAC.

The PTAC will be reviewing the performance of the hospital provider tax program and developing recommendations, if any are needed, to be discussed with the State for

improvement in the operations of the current program and to provide input when the State is planning program changes as requested.

At the April 28, 2011 quarterly PTAC meeting they reviewed with OHE the equilibrium calculations, policy recommendations related to the resolution of Adjustments 05 to 08, and discussed the implementation of the Dates of Service adjustments that resulted in reallocation of dollars between Tax 1 and Tax 2.

**i. Information technology costs incurred during this quarterly reporting period:**

Under OHE's contract with DMAP, certain costs related to information technology hardware, development of software and ongoing information technology operations to carry out the Scope of Work requirements for the provider tax program are reimbursable. There were no information technology costs charged to this contract for this time period, and none are included in the OHE invoice.

**OREGON HEALTHCARE ENTERPRISES****A Subsidiary of Oregon Association of Hospitals & Health Systems**

4000 Kruse Way Place, Bldg 2 Suite 100, Lake Oswego, OR 97035

503/636-2204, Fax: 503/636-8310

**INVOICE**

*de to pay 65*

Vickie Stiteler  
Division of Medical Assistance Programs  
500 Summer Street NE, E49  
Salem OR 97301-1079

Invoice Date: 4/29/2011  
Invoice #: 2011-501  
Terms: Upon Receipt  
Contract #: 130247-2

| DESCRIPTION  | AMOUNT           |
|--|------------------|
| Services rendered 1Q 2011:<br>OHE staff and sub-contracted financial expertise expense | \$ 51,975        |
| Total:   | <u>\$ 51,975</u> |

*RCA 81091  
Index 74010  
ADG 4555*

PLEASE MAKE CHECK PAYABLE TO:

**Oregon Healthcare Enterprises**

Federal Tax ID # 93-0999777

Copy 1 Original  
Yellow 2 Remittance Copy  
Pink 3 File Copy

**OREGON HEALTHCARE ENTERPRISES  
QUARTERLY REPORT  
STATE OF OREGON CONTRACT # 130247-2  
EFFECTIVE FEBRUARY 15, 2011**

The enclosed report, covering the time period from February 15, 2011 to March 31, 2011, is the required quarterly report under Oregon Healthcare Enterprises (OHE) contract with the State of Oregon to assist the State in the administration of the Hospital Provider Tax.

OHE has established a successful operating and monitoring environment for the Hospital Provider Tax that began October 1, 2009. Building on OHE's six years of successful administrative support for the Tax Program, a number of new or improved processes and procedures were put in place to address changes and issues that have been identified during OHE's operation of this contract. Those changes are enumerated in the following report, which is based on the Contract Statement of Work, Exhibit A, Part 1, Section 2, which lists the services to support the program:

**a. "Conduct a weekly review and verification of the accuracy of State payment rates to Providers, prior to program implementation, to avoid errors and eliminate rework and payment disputes"**

OHE performance: OHE staff reviewed weekly remittance advices and claims processing information supplied by the State. As a result of review of weekly payments, OHE determined that there were potential discrepancies in the methodology being used to calculate enhanced payment amounts. After detailed review of issues identified by OHE staff and its contractor, Moss-Adams, changes were made in the methodology used by OHE in tracking and reporting on weekly provider tax claims. Beginning in 2011, software updates were made to the OHE system resulting in Adjustments 3 and 4 which corrected the identified system issues and reconciled OHE reports to DMAP calculations. A detailed report was developed to create a tracking tool for OHE and DMAP staff to utilize in identifying potential problems, tracking their resolution and managing issues that have been resolved. OHE and DMAP staff agreed that the report format developed by OHE to track issues would be the one utilized for problem identification and resolution. OHE staff has held monthly meetings with DMAP staff to refine the tracking report and are providing it to DMAP staff in conjunction with regularly scheduled monthly meetings. In the monthly meeting held on March 10, 2011, OHE presented the results of its review of the first quarter's processing and potential reconciliation issues between OHE weekly processing reports and State Provider Tax tracking reports. A discussion regarding updates to State and OHE reporting identified the need to update both organizations Tax reporting systems to reflect changes in Oregon Health Plan enrollment, a change made on the State reporting side to implement the most recent DRG Grouper and other issues that may require future adjustments to reporting.



**b. “Review and make recommendations on State operational policies and procedures to minimize State operational costs and simplify system operations.”**

OHE Performance: OHE met with State staff to review operational policies, procedures and performance. As a result, potential issues related to the computation of enhanced payments and the provider tax rate being used in DMAP forecasts were identified and potential solutions discussed. OHE provided DMAP staff with its updated findings related to the computation of the amount of Provider tax and its correlation to the equilibrium model needed to keep the program in balance. OHE and state staff agreed that the equilibrium reporting would need to be updated once OHE completes its forthcoming adjustments related to the computation of outlier payments. Once that is done, state staff will update their forecasts and OHE and state staff will review the forecast to develop recommendations regarding changes, if any, that would be required to the equilibrium model and the related tax rates.

OHE provided state staff with an update on the ongoing OHE review that had earlier identified 23 potential areas where changes needed to be made to the equilibrium reporting system. As of the March, 2011 meeting, OHE reported that 17 issues had been reviewed, discussed with Moss Adams if needed, reviewed with state staff and actual adjustments made to the system to reflect the most current policies and payments made to the participating hospitals..

OHE monitored the payments from MCO's to verify that each of the MCO's had made their required payments and that the payment amounts were reconciled to the amounts provided to OHE by DMAP. No new issues were identified by OHE related to MCO payments to hospitals during this quarter.

OHE staff held regular monthly meeting with DMAP staff to review operations and discuss issues that have been identified.

**c. “Develop and work with State staff to implement standardized hospital reporting and processes to minimize implementation and operational costs.”**

OHE Performance: OHE developed and will be providing a revised set of standard reports for hospitals and the State to utilize in monitoring the implementation and performance of the Provider Tax program. OHE met with DMAP staff to review updated reports used by DMAP to monitor the performance of the Provider Tax program. and discuss findings from the reports. OHE provided State staff information to address issues identified during OHE operational reviews which will lead to improved and updated forecasts of the operating costs of the provider tax program. The newly developed OHE Provider Tax issue tracking document was provided to DMAP staff and is being used as one of the tracking tools to manage the program.

**d. “Review and reconcile hospital payments to validate claims payment and rate accuracy and provide information to the State to correct identified issues”**

OHE Performance: OHE, in its review of claims payment during the third quarter of this contract identified potential issues related to the computation of the amount of enhanced payments received by hospitals. Information was provided to DMAP regarding the potential issue with a request for review and resolution.

OHE began the initial design and development review that will lead to the updating of its information technology platform used to track weekly payments and identify ongoing opportunities for improvement in the program. The first upgrade occurred during the third quarter of 2010. A planned system upgrade is also expected to occur during the first quarter of 2011.

**e. “Review cost reports from hospitals and state cost reconciliations and make recommendations on the process”**

OHE Performance: During this quarterly period, no new cost reports for the cost reporting and settlement periods were provided by DMAP to OHE as a result of CMS level review of cost report issues. It is our understanding that CMS will release further cost report settlements after the new calendar year begins (2011). As a result, there was no review or recommendations required for this quarter.

**f. “Develop and work with Managed Care Organizations (MCO) across the state to implement payment processes and procedures to support the new Hospital Reimbursement Adjustment (HRA) process”**

OHE Performance: OHE worked with State staff to identify procedures necessary to compute the HRA payment process for MCO’s. OHE staff developed an implementation plan for each MCO that reflected that organization’s ability to provide information to OHE to incorporate MCO HRA payments into each individual hospital’s accounts. OHE monitored MCO performance during this quarter. A report is provided to DMAP on a monthly basis that shows MCO payment timeliness and accuracy. Those MCO’s that did not meet the timeliness requirements were identified and DMAP made the necessary inquiries to achieve timely payment. No major accuracy issues were identified.

**g. “Monitor MCO processes and procedures to verify compliance with agreed upon program requirements and develop recommendations to the State for modifications to the program”**

OHE Performance: OHE developed and implemented procedures and reports that monitor MCO HRA payments on a monthly basis. OHE staff review MCO payment reports for compliance with State program requirements and payment accuracy. Discrepancies are identified and brought to the attention of the respective MCO and DMAP for corrective action

OHE developed and provides DMAP a report shortly after the due dates of MCO payments identifying potential issues with either timeliness or accuracy of payments. . This was reported to DMAP for their follow up with the respective MCO. OHE also developed monitoring reports for MCO payment of Graduate Medical Education payments (GME) for the hospitals that provide medical education programs and implemented the necessary changes to its system to track GME payments to each hospital.

OHE staff, in the March monthly meeting with DMAP, reported that OHE's tracking of the MCO's HRA data indicated a substantial growth in MCO payments and enrollment compared to DMAP's forecasted growth in MCO payments and enrollment. After a review of data, it was agreed that state staff would update their enrollment forecasts to reflect the most current MCO enrollments forecasts available so payments and enrollment growth would track more consistently and facilitate OHE's provision of information to the participating hospitals.

**h. “ Subcontract with a financial firm, identifying a Key Person in that firm, to provide financial expertise, and be responsible to recommend replacement of either the firm or the firm’s Key Person for DHS review and acceptance should the need arise. The financial expertise will focus on the Medicaid payment, cost report, and settlement methodologies including, but not limited to review of claims payment.**

OHE Performance: OHE contracted with Moss Adams LLC, a nationally recognized CPA and consulting firm, to provide financial expertise. Moss Adams has worked with the Oregon hospital provider tax program since its inception in 2004 and developed the processes and procedures used by OHE to track, manage, and evaluate the performance of the hospital provider tax program. In addition to its work with OHE, Moss Adams also has developed extensive expertise in hospital cost reporting, settlement methodologies and Medicaid payments through its work with a large number of Oregon hospitals as well as health care organizations throughout the United States.

Moss Adams senior client executive assigned to OHE and the hospital provider tax program is Cheryl Storey. Cheryl is OHE's designated “Key Person”, required under the State contract.

Cheryl is a healthcare partner with the firm, located in their Portland, OR office. Since 2004, Cheryl has been the senior client executive working on the hospital provider tax program for OHE and its parent organization, the Oregon Association of Hospitals and Health Systems. Cheryl also provides reimbursement and cost reporting consulting services to a large number of Oregon hospitals, and has extensive experience with the Oregon Medicaid program.

During this quarter, Moss Adams assisted OHE in the review of issues identified by OHE and DMAP during the claims review of inpatient claims. Moss Adams and OHE are developing analysis and recommendations to address those issues for presentation to

DMAP. Moss Adams has been working with OHE staff to develop recommendations to address DRG outlier claims calculations. OHE will be using the results of this review in its recalculation of DRG outliers anticipated to be reported in the next quarterly report.

i. **“Create and maintain a work group of experts, to include the sub-contractors Key Person, in hospital finance and operation of the Provider Tax program to review and then provide recommendations to State staff as requested when program changes are being developed”:**

OHE Performance: OHE established the Provider Tax Advisory Committee, effective when OHE took over operation of the Provider Tax from the Oregon Association of Hospitals and Health Systems on October 1, 2010. The Provider Tax Advisory Committee (PTAC) is comprised of representatives of every Oregon hospital that participates in the hospital provider tax program. The PTAC meets on a quarterly basis or more frequently if program changes require, and is chaired by one of the member hospital committee members. PTAC representatives are typically the Chief Financial Officer of their participating hospital or a senior financial executive most knowledgeable about the tax program in the larger hospitals or health systems. During this shortened reporting period, the PTAC was not scheduled to meet.

In addition to the hospital members, the Key Person from OHE, Kevin Earls; Cheryl Storey, the Key Person from Moss Adams; the Chief Financial Officer of OHE, and Wendell Whitehouse, OHE’s Director for Hospital Tax Programs and liaison to DMAP, participate in the meetings of PTAC.

The PTAC will be reviewing the performance of the hospital provider tax program and developing recommendations, if any are needed, to be discussed with the State for improvement in the operations of the current program and to provide input when the State is planning program changes as requested.

j. **OHE staff and subcontracted personnel assigned to this contract:**

The following individuals are assigned to work on the Provider Tax Administration contract:

| <u>Name</u>           | <u>OHE Position Title</u>      | <u>Contract Role</u>            |
|-----------------------|--------------------------------|---------------------------------|
| 1. Kevin Earls        | President                      | Key Person for Contract         |
| 2. Wendell Whitehouse | Director, Hospital Tax Program | Operations manager              |
| 3. Matt Germer        | Analyst                        | Reporting                       |
| 4. John Cochran       | Sr. Financial Analyst          | Support to Operations           |
| 5. Peggy Allen        | Chief Financial Officer        | Finance/reporting review        |
| 6. Cheryl Storey      | Moss-Adams partner             | Key person for financial review |