



Office of Inspector General

Texas Health and Human Services Commission

Stuart W. Bowen, Jr., Inspector General

Performance Audit Report

Mainland Medical Center
2010 Medicaid Outpatient Hospital Costs

September 29, 2015

IG Report No. 14-80-121802603-10-MO-24

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EXECUTIVE SUMMARY

The Texas Health and Human Services Commission (HHSC), Inspector General (IG), Audit Section completed an audit of Mainland Medical Center (Provider), Texas Provider Identifier (TPI) 121802603, 2010 Medicare Cost Report (Cost Report) for the period January 1, 2010 through December 31, 2010.

Audit Results

The Cost Report submitted by the Provider did not comply with Texas Administrative Code (TAC) and Centers for Medicare and Medicaid Services (CMS) instructions. The Detailed Findings and Recommendations section of this audit report identified an expense finding that was noted in the audit and resulted in an adjustment of \$41,318.

Objective

The objective of the IG's audit was to determine whether the Medicaid outpatient hospital costs included in the 2010 Cost Report submitted by the Provider were in compliance with TAC and CMS instructions.

Background

The Provider agreed to abide by the policies, procedures, laws, and regulations of the Texas Medicaid program by signing a Texas Medicaid Provider Agreement and submitting Medicaid claims under TPI 121802603. Medicaid outpatient hospital costs are reimbursed in accordance with 1 TAC §355.8061. The reimbursement methodology is based on reasonable cost/interim rates and is similar to that used by Title XVIII (Medicare). The hospital must submit the Medicare Cost Report to CMS for reimbursement and reporting purposes. A copy of the cost report is submitted to Texas Medicaid & Healthcare Partnership for review and settlement of requested Texas Medicaid cost reimbursement.

Summary of Scope and Methodology

The audit of the Provider covered the cost report period beginning January 1, 2010 through December 31, 2010. The IG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that the audit is planned and performed to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The IG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. See Appendix A for a detailed description of the audit scope and methodology.

DETAILED FINDINGS AND RECOMMENDATIONS

Finding 1 – Unallowable Physician Recruitment Advertising Costs

The Provider reported unallowable physician recruitment advertising costs in the cost report. The Provider inadvertently included these unallowable costs in the cost report. As a result, Cost Center 6.00 was overstated by \$41,318.

According to 1 TAC §355.103 (b)(13)(B), "Unallowable advertising and public relation costs include; (i) costs of advertising of a general nature designed to invite physicians to utilize provider's facility as independent practitioners;"

The following table illustrates the recommended adjustment:

Cost Center	Cost Center Description	Reported Amount	Adjustment Amount	Adjusted Amount
6.00	Administrative and General	\$12,907,243	(\$41,318)	\$12,865,925

Recommendation:

The Provider should ensure reported costs comply with TAC and CMS instructions.

Management Response:

We agree with the proposed adjustment to remove \$41,318 for unallowable physician recruitment advertising costs. As a practice, we've performed detail analysis of non-allowable costs and have established standard non-allowable accounts to capture such costs. It appears that the costs in General Ledger Account Number 900815- Physicians Guarantee were inadvertently not reviewed and removed. We will ensure that this account is analyzed on a go forward basis.

APPENDICES

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Appendix A - Objective, Scope, and Methodology

Objective

The objective of the IG's audit was to determine whether the Medicaid outpatient hospital costs included in the 2010 Cost Report submitted by the Provider were in compliance with TAC and CMS instructions.

Scope

The audit scope was limited to outpatient hospital costs reported by the Provider, for the period January 1, 2010 through December 31, 2010.

Methodology

The IG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that the audit is planned and performed to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The IG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The audit included obtaining an understanding of compliance criteria, and the processes related to the preparation of the Cost Report. Accounting records, transactions, and supporting documentation were reviewed to determine that only reasonable, necessary, and allowable costs were submitted for reimbursement to the Texas Medicaid Program.

The audit methodology included:

- Discussions with Provider management and staff
- Obtaining an understanding of relevant controls, compliance criteria, and processes relating to the preparation of the Cost Report
- Reviewing applicable Medicaid laws and regulations
- Using the Medicare Cost Report to identify costs and charges
- Reviewing available accounting schedules, exhibits, and other supporting documentation to substantiate Medicaid costs and charges
- Reviewing allocation methodology and results

Criteria Used

- 1 TAC, §§355.101 - 110
- Guidelines and policies to implement Medicare regulations set forth in CMS Publication 15-1, Provider Reimbursement Manual, Chapters 1 through 29
- Specific instructions for the completion of the hospital cost report, CMS Form 2552-96 as set forth in CMS Publication 15-2, Provider Reimbursement Manual, Chapter 36
- Generally Accepted Accounting Principles

- Provider policies and procedures

Team Members

Kacy J. VerColen, CPA, Director of Audit

Jose Oliva, CFE, Manager

Albert Alberto, CIGA, Team Lead

Jude A. Ugwu, CFE, CICA, CRMA, Project Lead

Appendix B - Report Distribution

Health and Human Services Commission

Nicole Guerrero, MBA, CIA, CGAP
HHSC Director of Internal Audit
Mail Code BH-1600
4900 North Lamar Boulevard
Austin, TX 78751

John Spann
Director of Audit
Texas Medicaid & Healthcare Partnership
12365A Riata Trace Parkway, Building 9
Austin, TX 78758

Selvadas Govind
Director of Rate Analysis for Hospitals
Mail Code H-400
4900 North Lamar Boulevard
Austin, TX 78751

Cecile Young
HHSC Chief of Staff
Mail Code 1000
4900 North Lamar Boulevard
Austin, TX 78751

Provider

Michael Roussos
Chief Executive Officer
Mainland Medical Center
6801 Emmet F. Lowry Expressway
Texas City, TX 77591