



**Beaver Valley Hospital**

Scott Langford, Administrator

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Attn: Nathan Checketts  
Director of Medicaid and Health Financing  
P.O. Box 143101  
Salt Lake City, Utah. 84114-3101

Re: Status of Recommendations from OLAG Performance Audit 2017

The attached document details Beaver Valley Hospital's actions to implement recommendations from the 2017 Office of the Legislative Auditor General's report on the Nursing Facility Upper Payment Limit Program.

Please let us know if you have any questions.

Sincerely,

Craig Val Davidson, MPA, CHE  
Executive Director – Nursing Facilities

Scott Langford MHA, LCSW  
Chief Executive Officer

Beaver Valley Hospital

**Report to the Social Services**  
**Appropriations Subcommittee**

Status of Recommendations from  
Office of the Legislative Auditor General's October  
2017

“A Performance Audit of Beaver Valley Hospital's  
Medicaid Upper Payment Limit Program” Report

Prepared by Beaver Valley Hospital

August 31, 2018

## **Summary**

Beaver Valley Hospital is fully committed to addressing possible risks identified and the recommendations made in the OLAG audit. Since the audit last year, BVH has taken significant and proactive steps to reduce risk and improve relationships with governmental partners. The hospital is firmly committed to its partnership with the Department of Health to manage risk while at the same time improving the quality of care for BVH patients and nursing facility residents. BVH welcomes any questions regarding the responses provided in this report.

## **Purpose**

The purpose of this report is to provide a status update on Beaver Valley Hospital's (BVH) efforts to address the recommendations included in the Office of Legislative Auditor General's (OLAG's) "*A Performance Audit of Beaver Valley Hospital's Medicaid Upper Payment Limit Program*" report. This response will be limited to those recommendations that are specifically for Beaver Valley Hospital and not the Department of Health. Excerpts from the referenced report are included below followed by the BVH's status update.

**Recommendation 2-1 (page 20) ...We recommend that Beaver Valley Hospital document how UPL funds received from Nursing Facilities are used.**

## **BVH's Status Update:**

All Upper Payment Limit Funds received by BVH and its Nursing Facilities (NF) are dedicated to the improvement of patient care and the enhancement of the quality of life for our residents. These funds are critical to offset the operating losses that most of the NF's are experiencing due to inadequate Medicaid reimbursement. With the lifeline provided by the UPL program, additional funds have become available for onsite capital improvements and other enhancements that would otherwise be impossible to complete. In summary, there are significant improvements to aging facilities. New "Gold Standard" facilities have been built (3 for BVH) in addition to other facilities that are in the remodel process. Staffing, employee retention, and wages throughout the nursing facilities have all improved.

The UPL contract between BVH and the UDOH contains mandated UPL fund spending requirements that "ensure proper use and spending of all UPL funds received." This requirement in the contract mandates spending in specific areas the state has determined as an important indicator of spending.

Beaver Valley Hospital's Board of Directors has been very involved in the budgeting process to ensure that *all* UPL monies are used to enhance patient care and delivery of medical services. The Hospital's mission has always been to "*offer the highest quality of care at the lowest possible cost to the residents and visitors of our healthcare community.*" As a Government owned and operated healthcare facility all revenues are tied to patient care services and are used to enhance the quality of care. This same mission flows into the NF's that BVH owns and operates. As a result, the quality of care and environment in which it is provided has made significant gains and continues to improve throughout the State because of the proper utilization of the NF-UPL funds that BVH and its NFs receive.

To cite specific examples in the hospital environment, BVH has upgraded or is in the process of upgrading several areas of the hospital including Radiology with a new CAT Scan, the development of a surgery center and the addition of orthopedic surgery services. These innovations combined with plant and maintenance in the last year cost in excess of \$1,000,000. These innovations and needed maintenance help extend the life of BVH's aging facility. These changes would have been extremely challenging if not unlikely to occur considering past revenue losses. As part of the upgrades to the facility, the hospital has completed a renovation of two operating rooms to accommodate increased surgery services. New flooring throughout the facility is in process and a remodel of the nursing facility wing has enhanced the quality of life for patients and residents.

To document and confirm that all funds are being spent appropriately, an extensive financial audit is conducted annually by BVH to review the flow of funds amongst the hospital and all of the NFs to confirm compliance with government spending guidelines and to ensure compliance with governmental accounting regulations and standards.

**Recommendation 2-2 (page 20) ...We recommend that Beaver Valley Hospital conduct a risk assessment for all Nursing Facilities to determine what oversight and control deficiencies may exist.**

#### **BVH's Status Update:**

Following the OLAG audit last year, BVH conducted a risk assessment to determine the most effective administrative structure to oversee the program. The previous CEO of the hospital became the Executive Director of the Nursing Facilities-Upper Limit Payment Program, with exclusive responsibility to ensure effective oversight and compliance with operational guidelines and regulations. The Executive Director of the program makes regularly scheduled visits to BVH

nursing facilities to monitor care and implementation of the UPL program. The current Hospital CEO and CFO are also highly involved in the oversight and implementation of the UPL program and NFs. Furthermore, as the program has grown, it was determined that additional personnel were needed to properly provide the oversight required to address the UPL program compliance demands. Additional personnel hired include the previous BVH Assistant Administrator monitoring the NF's business operations. A CPA and an additional full-time accounting employee are tasked with the financial oversight of the UPL program revenues and expenses, with the assistance of the accounting personnel at each facility overseeing cash flow and spending of the UPL revenues. Other current hospital employees have been assigned various tasks all of which are related to UPL operations oversight and Federal and State program compliance issues. In addition to the business aspect of the program involving several employees, almost every manager at BVH is involved with UPL activities. The organization has grown substantially to meet the needs of the program.

The Board of Directors for BVH continue to be intimately involved in the oversight of the UPL program. The Board members recently completed a site visit to a Nursing Facility in the Salt Lake Valley to view the true impact of the program on the facility, it's employees, and more importantly, it's residents.

Financial controls were identified as an area of risk following the OLAG audit. BVH, at significant expense, hired a national CPA firm with extensive knowledge of the UPL program to both conduct annual financial audits, and to provide technical support regarding the financial administration of the program. As a result, a unified reporting system and additional financial controls have been carefully established and are being followed jointly by all parties.

BVH administration has convened two organizational summits this year to ensure that all management companies understand their responsibilities in the program. The first was held in May 2018 and involved executive leadership from all NF management companies who are retained to manage the day-to-day operations of each facility. This summit included the Deputy Director of the UDOH who graciously agreed to present to the group information on Federal and State legislation and the importance of compliance with UPL guidelines. The second summit was held in June 2018 and included all NF managers and financial administrators. This meeting was conducted by BVH's audit firm who shared national expertise on the UPL program as they are intimately involved with the State of Indiana and their successful UPL program. The purpose of this Summit was to present financial reporting guidelines and information to ensure that all facility management groups understand their UPL program financial responsibilities for the various Beaver Valley Hospital nursing facilities.

**Recommendation 2-4** (page 20) ...*We recommend the Beaver Valley Hospital create a control structure to monitor the use of the Upper Payment Limits for all nursing facilities they operate.*

**BVH's Status Update:**

As noted previously, (*see Recommendations 2-1 and 2-2*) the Hospital has expanded the control structure significantly since the previous report was published. Great care has been taken to develop a cooperative relationship with the UDOH and align the efforts of both to reduce risk and utilize UPL funds to improve patient care and the resident's quality of life throughout the state.

**Recommendation 3-1** (page 24) ...*We recommend that BVH establish and document quality of care metrics in contracts with nursing facilities.*

**BVH's Status Update**

All Beaver Valley Hospital management contracts have "Quality Stipulations" in them. As noted below additional important steps have been taken to implement them.

Each BVH nursing facility has different needs as to the type of services provided, environmental and geographical conditions, and constant changing patient case-mix. Consequently, quality measures are being implemented on an individual basis to meet the specific needs of the facility. A "cookie-cutter" approach pertaining to the provision of quality care was carefully considered though it was determined that a generalized plan neglected and even hampered the individual needs of the various nursing facilities. Quality performance measures exist that must be met on an annual basis per *UAC R414-516* and per contract stipulations with the UDOH. Quarterly meetings with The management group leadership and the UPL Executive Director focus on compliance with these measures. These efforts have resulted in each facility choosing quality improvement initiatives and developing guidelines to meet them. Efforts are continuing in cooperation with the UDOH and industry leaders to identify specific metrics that would be effective in demonstrating *measurable* improvements in patient care for each facility. In addition to the BVH-led initiatives noted above, the contract with the UDOH has spending requirements the Department has determined to be valuable in improving patient care

**Recommendation 3-2** (page 24) ...*We recommend that Beaver Valley Hospital use quality of care metrics as incentives to reward nursing facilities and document this incentive in the contracts with management companies.*

**BVH's Status Update:**

As noted above, there are reasons not to document or direct the Specific quality metrics activities of the NFs within the contract on a global basis due to highly variable situations for

each facility. However, quality improvement stipulations are found in each contract insuring compliance with the UDOH UPL contract, UAC R414-516, and other state and federal laws and regulations. The incentive is clear; the facility is compliant or their UPL involvement may be terminated.

**Recommendation 3-3** (page 24) ... *We recommend that Beaver Valley Hospital document administrative fees in the contracts with management companies, As well as, amend current contracts to reflect these fees.*

**BVH's Status Update:**

All current contracts detail the specific management fees, and fair market rent for the facilities BVH leases and fair market payments for licensing rights. Other fees such as incentive fees along with general operational expenses are also memorialized in each management agreement. If the numbers change for any reason, the contracts are appropriately amended.

**Recommendation 3-4** (page 24) ... *We recommend that Beaver Valley Hospital document the amount of seeding in the contracts with management companies, as well as amend current contracts to reflect these fees.*

**BVH's Status Update:**

This recommendation is referencing the quarterly IGT payments made by Beaver Valley Hospital to the Utah Department of Health. The IGT payments are not tied to the Nursing Facility Management Contracts and as such are not documented within them. The IGT seed amount is determined by the UDOH each quarter and is documented in the contract BVH has with the UDOH and the quarterly invoices BVH receives from the UDOH. The IGT calculation, permissible Funds to be used for payment of the IGT, the procedure for producing the IGT invoice and the payment thereof are all addressed in the UDOH UPL contract.

Also, the specific amount of the quarterly IGT payments are based on the Federal Match Percentage (FMP) established at the beginning of each Federal Year, October 1, by CMS and multiplied by the individual facility GAP amount. While the FMP (percentage) remains constant throughout the Federal Fiscal Year, the individual facility GAP amount and the mathematical formula applied by the DOH to the GAP can and often does vary from quarter to quarter.

All of the above make it nearly impossible for Beaver Valley Hospital to contractually detail, with the individual nursing facilities, the quarterly and annual IGT funding requirements. However, this information is available on a quarterly basis from the UDOH and is issued by the UDOH with each quarterly IGT invoice.

**Recommendations** 3-5 (page 24) ... *We recommend that Beaver Valley Hospital document how the Upper Payment Limit funding is to be used in the contracts with the management companies, as well as amend current contracts to reflect these fees*

**BVH's Status Update:**

In addition to the responses given for Recommendations 2-1 and 3-3 above, BVH ensures that all current and amended contracts have cash flow models that detail the flow of funds. Also, all Management contracts detail expected management fees that are paid on a monthly and annual basis using the additional UPL dollars received, subject to fulfillment and performance of the management companies' contractual obligations under those agreements.