

STATE OF CONNECTICUT



*AUDITORS' REPORT
OFFICE OF HEALTH CARE ACCESS
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 and 2011*

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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AUDITORS OF PUBLIC ACCOUNTS

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AUDITORS' REPORT OFFICE OF HEALTH CARE ACCESS FOR THE FISCAL YEARS ENDED JUNE 30, 2010 and 2011

We have examined the financial records of the Office of Health Care Access (Office or OHCA) for the fiscal years ended June 30, 2010 and 2011. This report on that examination consists of the comments, recommendations and certification, which follow.

Financial statements pertaining to the operations and activities of OHCA are presented on a Statewide Single Audit basis to include all state agencies. This audit examination has been limited to assessing OHCA's compliance with certain provisions of laws, regulations, and contracts, and evaluating OHCA's internal control policies and procedures established to ensure such compliance. Public Act 09-3, effective October 6, 2009 merged OHCA within the Department of Public Health (DPH) for administrative purposes only. As such, this report will be the last separate report that will be issued on OHCA, as it will now be included as part of our DPH audit.

COMMENTS

FOREWORD:

OHCA operates primarily under the provisions of Title 19a, Chapter 368z, of the General Statutes. The duties and responsibilities of OHCA are described in Section 19a-613 of the General Statutes, as follows:

- Collecting patient-level outpatient data from health care facilities or institutions
- Establishing a cooperative data collection effort across public and private sectors to ensure that adequate health care personnel demographics are readily available
- Oversee and coordinate health system planning for the state
- Monitor health care costs
- Create an advisory council to advise the commissioner on graduate medical education.

Other sections within Chapter 368z provide for certain regulatory powers, most notably, rate-setting and approvals for certain capital expenditures of health care facilities and institutions. Such health care facilities and institutions submit certificate of need requests that must be approved by OHCA prior to execution. A change in ownership or control, or a change in function or service, must also be approved through the certificate of need process.

Legislative Changes

Public Act 09-3, effective October 6, 2009, provides that notwithstanding any provision of the General Statutes, “there shall be a Deputy Commissioner of Public Health who shall oversee OHCA division of the DPH and who shall exercise independent decision-making authority over all certificate of need related matters, including, but not limited to, determinations, orders, decisions and agreed settlements. The individual serving as the Commissioner of Health Care Access on September 1, 2009, shall serve as a Deputy Commissioner of Public Health with responsibility for overseeing OHCA division of the DPH. Notwithstanding any provision of the general statutes, said deputy commissioner may designate an executive assistant to serve in such capacity. On or before January 1, 2010, said deputy commissioner in consultation with the Commissioner of Public Health shall jointly report, in accordance with the provisions of section 11-4a, to the Governor and joint standing committee of the General Assembly having cognizance of matters related to public health on recommendations for reform of the certificate of need process.”

RÉSUMÉ OF OPERATIONS

General Fund Revenues and Receipts:

General Fund revenues and other receipts of OHCA totaled \$2,543,655 and \$3,093,821 for the 2010, and 2011 fiscal years, respectively, as compared to \$4,337,284 for the 2009 fiscal year. A comparative summary of General Fund receipts is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues and Receipts:			
Expenses Recovered from Hospitals	\$3,951,124	\$2,402,981	\$3,083,547
Certificate of Need Filing Fees	370,210	130,917	9,577
Petty Cash Returned	7,500	-	-
Miscellaneous	5,231	9,757	697
Total Revenues	<u>4,334,065</u>	<u>2,543,655</u>	<u>3,093,821</u>
Refunds of Expenditures	3,219	-	-
Total General Fund Receipts	<u><u>\$4,337,284</u></u>	<u><u>\$2,543,655</u></u>	<u><u>\$3,093,821</u></u>

The major source of revenue is the recovery of OHCA’s costs from hospitals, as mandated under Section 19a-631, subsection (b), of the General Statutes. That section permits the recovery of OHCA’s actual costs during each fiscal year, including the cost of personal services, fringe

benefits, the amount of central state services attributable to OHCA, and expenditures made on behalf of OHCA from the Capital Equipment Purchase Fund. Hospitals are assessed for a portion of the costs in relation to each hospital's net revenue as compared to the total net revenue of all hospitals. The decrease in General Fund receipts during the audited period is due to the reduction in OHCA staff from retirements and the merger with DPH in October, 2009.

General Fund Expenditures

General Fund expenditures of OHCA totaled \$1,775,782 and \$1,600,553 for the 2010 and 2011 fiscal years, respectively, as compared to \$2,154,414 for the 2009 fiscal year. Comparative summaries of General Fund expenditures for the fiscal years under review and the preceding fiscal year are presented below:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Budgeted Accounts:			
Personal Services	\$1,995,649	\$1,632,953	\$1,466,510
Contractual Services	145,675	80,436	47,318
Commodities	12,322	2,999	2,361
Sundry Charges	868	-	1,488
Grants	-	56,655	62,413
Equipment	-	2,739	20,463
Total General Fund Expenditures	<u>\$2,154,514</u>	<u>\$1,775,782</u>	<u>\$1,600,553</u>

Decreases in personal service costs during the audited period were the result of a decrease of nine filled positions from 26 to 17, representing a 35 percent decrease in filled positions.

As discussed previously, OHCA recovers its normal operating expenses from the regulated hospitals. An analysis of the amounts recovered from the hospitals and the amounts due from the hospitals at fiscal year-end follows:

	Fiscal year Ended June 30,		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
Personal Services to be Recovered:	\$ 1,995,649	\$ 1,638,962	\$ 1,466,510
Fringe Benefits	1,096,840	1,006,177	917,933
Other Expenses	158,765	117,675	64,085
Central State Services	508,784	844,830	304,543
Total Recoverable Expenditures	<u>\$ 3,760,038</u>	<u>\$ 3,607,644</u>	<u>\$ 2,753,071</u>
Billed Expenditures:	\$ 3,839,682	\$ 3,181,196	\$ 3,081,380
Amounts Receivable, Beginning of Year	392,756	281,314	2,820
Total Due	<u>4,232,438</u>	<u>3,462,510</u>	<u>3,084,200</u>
Less: Assessments Received from Hospitals	<u>3,951,124</u>	<u>3,459,690</u>	<u>3,083,547</u>
Amounts Receivable, End of Year	<u><u>\$ 281,314</u></u>	<u><u>\$ 2,820</u></u>	<u><u>\$ 653</u></u>

The total recoverable expenditures noted above represent the actual costs that OHCA is allowed to recover from hospitals. Those allowable costs are listed in Connecticut General Statutes, Section 19a-632. The billed amount in the current period is based upon the ratio of the hospitals' actual share of net revenues to total collected by all hospitals. The allocation of credit is adjusted by the actual expenditures as compared to the budgeted expenditures. This is applied to quarter ending assessments due on December 31st, for the following fiscal year. The reduction in receivables during the audited period is due to the Office's accountability reports that compare Core-CT to actual bills.

Special Revenue Fund:

Capital equipment purchases totaling \$2,739 and \$20,463 were paid from the Capital Equipment Purchases Fund during the 2010 and 2011 fiscal years respectively, as compared to zero dollars for the 2009 fiscal year. Capital equipment purchases were primarily for information technology hardware.

Performance Evaluation:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform evaluations of selected agency operations. We reviewed the state-wide health care facility utilization study at OHCA. This study is codified in Section 19a-634 of the General Statutes.

The utilization study includes information on the availability of beds, hospital occupancy rates, as well as utilization of inpatient, outpatient and emergency departments. The study also reports on hospital discharges within the context of socioeconomic population groups; the demographic characteristics of patients utilizing the state's hospitals; type of services they are receiving; and payers for that care.

Annual Utilization Study:

Criteria: Section 19a-634, of the General Statutes, states that "OHCA shall conduct, on an annual basis, a state-wide health care facility utilization study. Such study shall include, but not be limited to, an assessment of: (1) current availability and utilization of acute hospital care, hospital emergency care, specialty hospital care, outpatient surgical care, primary care and clinic care; (2) geographic areas and subpopulations that may be underserved or have reduced access to specific types of health care services; and (3) other factors that the office deems pertinent to health care facility utilization. ... Such report may also include the Office's recommendations for addressing identified gaps in the provision of health care services and recommendations concerning a lack of access to health care services."

Condition: We reviewed two utilization reports, one from fiscal year 2010 and one from fiscal year 2011. We found that the Office collects hospital inpatient utilization data, which is only a portion of hospital care provided in the state. One portion that the Office is missing is outpatient data, which would enhance the Office's ability to report on utilization trends and identify gaps in access to care.

Effect: Without the full data from the three main areas of inpatient, outpatient, and emergency health care services delivery, OHCA cannot identify where possible gaps may exist. Therefore, fragmented care within the infrastructure of our health care system may exist.

Cause: The Office lacks staff and information resources to retrieve outpatient and emergency department data.

Recommendation: The Office should take the necessary steps to fully comply with Section 19a-634, of the Connecticut General Statutes by improving

its ability to accumulate all the available data, including the retrieval of outpatient and emergency department data, for their assessment of the three main areas of health care. (See Recommendation 1.)

Agency Response:

OHCA does not completely agree with this finding. OHCA believes that in addition to capacity in staff and infrastructure, legislative authority to collect the data identified in this performance evaluation was a factor in OHCA's ability to completely comply with the mandate. In drafting its utilization studies, OHCA utilized all available data in addressing mandated requirements.

Both utilization studies contain some outpatient and emergency department data which was available to OHCA. Aggregate outpatient data from OHCA's Hospital Reporting System is included in the studies; however, the available data were not comprehensive enough for OHCA to completely identify gaps in the provision of services. In addition, limited emergency department data accessed by OHCA through an agreement with the Connecticut Hospital Association were also reported.

Although OHCA has for years proposed legislation that would clarify and strengthen statutory language which would allow OHCA's collection and reporting of outpatient and emergency department data, the statutory authority to comprehensively collect such data was not approved by the legislature until 2011. Thus, the inability to report comprehensively was outside of OHCA's direct control.

In 2011, Public Act 11-61 was passed that made changes to Connecticut General Statutes subsection 19a-654 to allow the division to collect both OP and ED data. OHCA is taking necessary steps to operationalize this legislation. As required, the division convened a working group to develop recommendations to address current obstacles and proposed requirements for patient-identifiable data reporting in an outpatient setting. The group reported findings and recommendations to the legislature in February, 2012. Per statute, additional reporting of outpatient data as deemed necessary by the Office shall begin by July 1, 2015. The division is also in the process of hiring an IT analyst to assist in the development of a database that will house this data.

CONDITION OF RECORDS

Our review of OHCA for the fiscal year ended June 30, 2010 and 2011 did not reveal any areas that require corrective action.

RECOMMENDATIONS

Our prior report on the fiscal years ended June 30, 2008 and 2009 contained three recommendations. The status of those recommendations is presented below:

Status of Prior Audit Recommendations:

- **In order to comply with Section 19a-681, subsection (b), of the General Statutes, OHCA should improve and document its policies and procedures concerning hospital billing and the collection of civil penalties.** This recommendation was substantially addressed and will not be repeated.
- **OHCA should improve internal controls over hospital assessment receipts by preparing accountability reports and reconciling its accounts receivable records to Core-CT. In addition, the OHCA should ensure that penalties and interest are charged on all hospital assessments that are received late.** This recommendation is not being repeated.
- **OHCA should ensure that deposits are made in a timely manner as required by Section 4-32 of the General Statutes.** This recommendation is not being repeated.

Current Audit Recommendations:

1. **OHCA should take the necessary steps to fully comply with Section 19a-634, of the Connecticut General Statutes by improving its ability to accumulate all the available data including the retrieval of outpatient and emergency department data for their assessment of the three main areas of health care.**

Comment:

OHCA lacks staff and information resources to retrieve outpatient and emergency department data.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of OHCA for the fiscal years ended June 30, 2010 and 2011. This audit was primarily limited to performing tests of OHCA's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of OHCA's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to OHCA's are complied with, (2) the financial transactions of OHCA's are properly initiated, authorized, recorded, processed, and reported on consistent with management's direction, and (3) the assets of OHCA are safeguarded against loss or unauthorized use. The financial statement audits of OHCA for the fiscal years ended June 30, 2010 and 2011 are included as a part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether OHCA complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

Management of OHCA is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered OHCA's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Office's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of OHCA's internal control over those control objectives.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to OHCA's financial operations will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over OHCA's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiency, described in detail in the accompanying Performance Evaluation and Recommendations sections of this report, to be a significant deficiency in internal control over financial operations, safeguarding of assets and compliance with requirements: Recommendation 1 - The Office should take the necessary steps to fully comply with Section 19a-634 of the Connecticut General Statutes by improving its ability to accumulate all the available data, including the retrieval of outpatient and emergency department data, for their assessment of the three main areas of health care. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether OHCA complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of OHCA's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

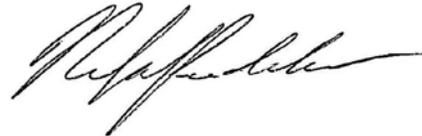
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

OHCA response to the finding identified in our audit is described in the accompanying Program Evaluation section of this report. We did not audit OHCA's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of OHCA's management, the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of OHCA during the course of our examination.



Nikolaos Perdikakis
Auditor II

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts