DEPARTMENT OF HEALTH AND HOSPITALS - MEDICAID ACUTE CARE INPATIENT HOSPITALIZATIONS

PERFORMANCE AUDIT
ISSUED APRIL 7, 2010

LEGISLATIVE AUDITOR
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FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

April 7, 2010

The Honorable Joel T. Chaisson, II,
President of the Senate
The Honorable Jim Tucker,
Speaker of the House of Representatives

Dear Senator Chaisson and Representative Tucker:

This report provides the results of our performance audit on the Department of Health and Hospitals (DHH) - Medicaid Acute Care Inpatient Hospitalizations.

The report contains our findings, conclusions, and recommendations. Appendix A contains DHH's response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of DHH for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA
Legislative Auditor - Elect

DGP:sr

Office of Legislative Auditor

Daryl G. Purpera, CPA, Legislative Auditor - Elect

Department of Health and Hospitals - Medicaid Acute Care Inpatient Hospitalizations

April 2010

Audit Control # 40080017

Objectives and Overall Results

We conducted a performance audit of the Louisiana Department of Health and Hospitals (DHH). We limited our audit work to acute care inpatient hospitalizations within the Medicaid program. The purpose of the audit was to determine whether DHH ensures that these hospitalizations are medically necessary and clinically appropriate. The audit objective and results of our work are as follows:

Objective: Does DHH ensure that Medicaid acute care inpatient hospitalizations are medically necessary and clinically appropriate?[1]

Results: DHH does not currently ensure that Medicaid acute care inpatient hospitalizations are medically necessary and clinically appropriate. Our audit findings describe weaknesses found in DHH's current practices. Recognizing the need for improvement prior to the commencement of this audit, DHH solicited expert advice from Milliman (who provides consulting services to the health industry) regarding its Medicaid medical management functions. In December 2007, Milliman provided recommendations to DHH regarding the use of InterQual, among other topics. During the audit, DHH began the formal implementation of several initiatives that are designed to improve its oversight of Medicaid acute care inpatient hospitalizations. We described these initiatives throughout the body of the report, where applicable.

In summary, our findings are as follows:

- DHH does not use medical criteria to ensure every Medicaid hospitalization is necessary. DHH is approving admission requests without using criteria for the majority of cases. According to DHH claims data, in the fiscal year ended June 30, 2009, Unisys approved reimbursement for 218,784 inpatient acute care admissions.

- When DHH uses medical criteria to ensure hospitalizations are necessary, the criteria are outdated. According to DHH, Unisys bought and DHH paid for approximately $1.15 million in licensing fees over the last five years, including medical criteria updates. However, neither ensured that InterQual updates were implemented. According to DHH claims data, fiscal year 2009 expenditures for inpatient acute care hospitalizations totaled $899,567,338. The average cost per patient admission was $4,112.

[1] In this audit, we addressed the medical necessity of admissions and the clinical appropriateness of hospital length of stay assignments.

- DHH does not use current guidelines to determine how long a patient needs to stay in the hospital, for reimbursement purposes. The average length of stay for each patient during fiscal year 2009, according to DHH claims data, was approximately four days. Based on figures included in this report, the average cost per patient day can be calculated as approximately $1,028.

In addition to these findings, we identified a potential area of cost-saving, related to the issue of hospitalizations, which is in need of further consideration:

- DHH may be paying for hospital days incurred as a result of hospital-acquired infections.

Audit Initiation, Scope, and Methodology

Louisiana Revised Statute 24:513 (D) (4) directs the Louisiana Legislative Auditor to conduct performance audits, program evaluations, and other studies to enable the legislature and its committees to evaluate the efficiency, effectiveness, and operations of state programs and activities. In accordance with this legislative mandate, we scheduled a performance audit of the Department of Health and Hospitals. Our audit focused on acute care inpatient hospitalizations within DHH's Medicaid program[2] during fiscal year 2009. We focused the audit on this topic after considering input from DHH officials. We conducted our fieldwork from May 2009 - October 2009.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. To answer our objective, we performed the following audit steps:

- Researched federal and state laws, regulations, and rules relevant to Medicaid acute care inpatient hospitalizations in Louisiana.
- Interviewed DHH and fiscal intermediary (Unisys) officials charged with program oversight and administration, including DHH's Program Operations and MMIS (Medicaid Management Information System) sections.
- Reviewed DHH's and Unisys' policies and procedures related to Medicaid acute care inpatient hospitalizations.

[2]We did not include rehabilitation facilities, long term care facilities, acute care psychiatric facilities, and free standing psychiatric clinics in the scope of our audit as they are considered separate entities according to the Medicaid State Plan and are reimbursed as separate providers. In addition, they utilize different criteria and processes with regard to inpatient admissions. According to Merriam-Webster, acute care is defined as "short-term medical care especially for serious acute disease or trauma."

- Observed Unisys' Medicaid acute care inpatient hospitalization procedures at its Baton Rouge office.
- Reviewed data associated with Louisiana's participation in an ongoing federal study designed to identify payment error rates in state Medicaid programs.
- Compared 2005 and 2008 length of stay guidelines to assess differences between the two data sets.
- Researched quality of care issues associated with acute care inpatient hospitalizations.
- Reviewed DHH's plans to improve its oversight of Medicaid acute care inpatient hospitalizations.
- Identified comparative business practices regarding acute care inpatient hospitalizations by interviewing officials with CareGuide, Louisiana's Office of Group Benefits (OGB) contractor, and BlueCross BlueShield of Louisiana.
- Reviewed Unisys' State Fiscal Year 2009 acute care admission request data, which we obtained from DHH and obtained unaudited state fiscal year 2009 claims data from DHH.
- Reviewed Milliman's December 2007 evaluation of DHH's Medicaid medical management functions, which addressed aspects of acute care inpatient hospitalizations and obtained this report from DHH during our audit. Milliman provides actuarial consulting services to the health industry.

Appendix A contains DHH's response to this report.

Overview of Medicaid Acute Care Inpatient Hospitalizations

Our audit focused on acute care inpatient hospitalizations within DHH's Medicaid program. This overview provides information on Louisiana's Medicaid program.

Louisiana's Medicaid Program. Title XIX of the federal Social Security Act established the Medicaid program, which provides medical assistance to eligible families and individuals with insufficient income to meet the costs of necessary medical services. The Louisiana Medicaid program has an annual budget of $7.2 billion. As of December 2009, DHH reported a total enrollment of 1,119,330 in the Louisiana Medicaid program. In state fiscal year 2009, 166,110 individuals received inpatient acute care services. Inpatient hospital services are included as covered services in Louisiana's Medicaid program. These services are provided to recipients during their stay in a licensed Medicaid participating hospital and may include room and board, medical supplies, nursing care, therapeutic services, and drugs. According to DHH claims data, state fiscal year 2009 Medicaid inpatient acute care expenditures were $899,567,338.

Fiscal Intermediary Contract. DHH contracts with Unisys Corporation (Unisys) to act as the fiscal intermediary for the Louisiana Medicaid program. As DHH's fiscal intermediary, Unisys performs a wide variety of services under DHH's oversight, including authorizing Medicaid inpatient acute care hospitalizations for reimbursement on behalf of DHH.[3] Healthcare organizations typically use medical criteria and guidelines when authorizing medical services, including hospitalizations. DHH began requiring the use of medical criteria and guidelines in 1994. To authorize some of these inpatient acute care requests, Unisys uses the following medical criteria/guidelines:

- **InterQual Medical Criteria.** Unisys uses InterQual medical criteria when authorizing reimbursement for some inpatient acute care admissions. InterQual medical criteria is used to determine the appropriate level of care for the patient. According to information we obtained from the vendor's Web site (McKesson), InterQual acute care medical criteria supports the determination of whether the acute care admission is appropriate. InterQual is updated each year. According to claims data we obtained from DHH, Unisys approved 218,784 inpatient acute care admissions in state fiscal year 2009.

- **Thomson Healthcare Length of Stay (LOS) Guidelines (formerly known as Solucient).** In some cases, Unisys uses Thomson Healthcare LOS guidelines to assign the length of a patient's stay in the hospital, for reimbursement purposes. According to information we obtained from Thomson Healthcare, these guidelines are based on over 20 million annual inpatient discharges. This data is updated each year. According to claims data we obtained from DHH, the average length of a patient's stay in the hospital was four days in state fiscal year 2009.

The contract between DHH and Unisys provides that these activities are intended to control and monitor inpatient admissions, length of stay, and program expenditures. The initial period of this contract is January 1, 2005, through December 31, 2009, with an option for DHH to extend the Unisys contract on a yearly basis through December 31, 2014. According to DHH, this contract is the single largest state contract, with an annual operating cost of $34 million.

Organizational Structure Within DHH. Medicaid acute care inpatient services are organizationally housed within DHH's Bureau of Health Services Financing, under the Program Operations section. Program Operations consists of three areas:

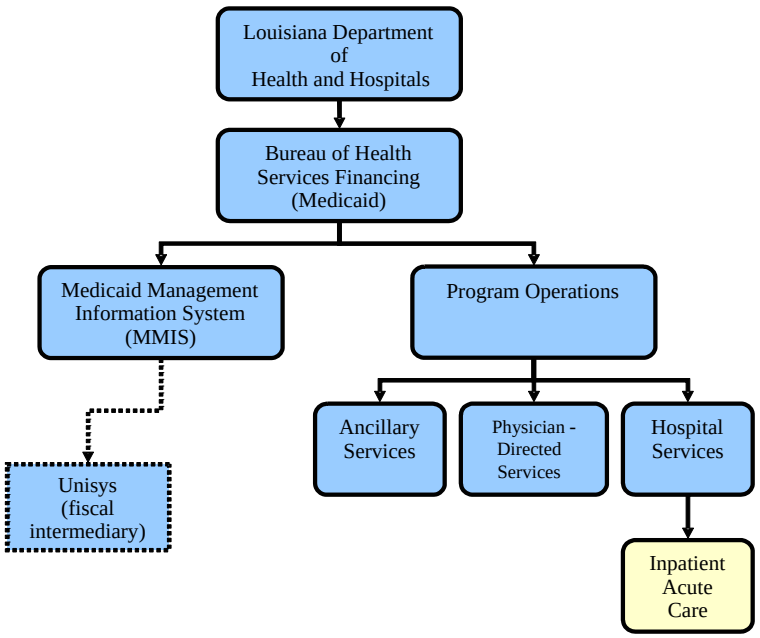
- Hospital Services, which includes inpatient acute care
- Physician-Directed Services
- Ancillary Services

The MMIS section, also under DHH's Bureau of Health Services Financing, is responsible for the oversight of the Unisys contract.

[3] Although state hospitals are not currently subject to these authorization requirements, DHH intends to extend these requirements to state hospitals in the future.

DHH's organizational structure with regard to Medicaid inpatient services is illustrated in Exhibit 1.

Exhibit 1
DHH's Organizational Structure With Regard to Medicaid Acute Care Hospitalizations



Source: Prepared by the legislative auditor's staff using information provided by DHH.

Objective: Does DHH ensure that Medicaid acute care inpatient hospitalizations are medically necessary and clinically appropriate?

DHH does not currently ensure that Medicaid acute care inpatient hospitalizations are medically necessary and clinically appropriate. Our audit findings describe weaknesses found in DHH's current practices and include recommendations[4] that are intended to assist the department in addressing and correcting these weaknesses. During the audit, DHH began implementing several initiatives that are designed to improve its oversight of Medicaid acute care inpatient hospitalizations. We have described these initiatives throughout the report, where applicable.

DHH does not use medical criteria to ensure every Medicaid hospitalization is necessary.

As DHH's fiscal intermediary, Unisys authorizes Medicaid acute care inpatient admissions for reimbursement. However, DHH's current policy for inpatient acute care

[4]Although the recommendations included in this report are applicable to acute care inpatient services, DHH may wish to determine whether these recommendations are applicable to other types of Medicaid services to improve the overall quality of the Medicaid program.

admissions only requires hospitals to register their admissions. DHH does not require Unisys to conduct a clinical review of the admission request to determine whether it is medically necessary. As a result, Unisys does not use InterQual medical criteria to authorize every admission request for reimbursement. We attempted to validate the number of state fiscal year 2009 admissions, but were unable to validate this information because of multiple errors we encountered in the admissions data. Although DHH has not tested this admissions data in the past, DHH plans to improve its data monitoring as initiatives are implemented. DHH estimates that approximately 80% of all admissions are authorized for reimbursement by Unisys data entry clerks who do not use medical criteria. According to DHH's claims data, Unisys approved 218,784 inpatient acute care admissions in fiscal year 2009.

Recognizing the need for improvement prior to the commencement of this audit, DHH solicited expert advice from Milliman regarding its Medicaid medical management functions. Milliman provides actuarial consulting services to the health industry. In December 2007, Milliman recommended that DHH *"apply admission criteria more aggressively to identify medically unnecessary admissions."* By doing so, Milliman notes, DHH may be able to *"significantly reduce paid inpatient hospital utilization."* In addition, we identified comparative business practices regarding the use of medical criteria by interviewing officials with CareGuide, Louisiana's OGB contractor, which authorizes hospital admissions on behalf of OGB. We also interviewed an official with BlueCross BlueShield of Louisiana. These officials told us that they apply medical criteria to each hospital admission to ensure medical necessity.

As a result of DHH's "registration of admission" policy, the department may be paying for admissions that are not medically necessary. From a financial standpoint, DHH could be incurring excessive costs in its Medicaid program because of inappropriate utilization of services. The quality of care could be impacted if DHH failed to authorize reimbursement for the correct level of care for the patient and the provider based its care on this determination.

DHH began taking initial steps toward requiring the use of InterQual medical criteria for all admissions. DHH published a Notice of Intent in the July 2009 *Louisiana Register*. According to DHH, the Final Rule was published in November 2009, and the department is moving toward implementing review for all admissions.

Recommendation 1: DHH should revise its admission policy to require Unisys to conduct a clinical review of each admission request to determine whether it is medically necessary.

Summary of Management's Response: DHH agrees with this recommendation, noting the Department has implemented the initial steps towards obtaining this goal. DHH states that the Department notified the Legislature in 2008 of the Secretary's concern that current criteria were not in place, and in fact, each admission was not being reviewed. In 2008-2009, upon seeking funding from the Legislature, the Department began implementing the updated InterQual criteria in phases so as to minimize operational impact to providers while also avoiding unintended negative consequences. In January 2009, DHH notes that the Legislature agreed to allow the Department to proceed with this plan. Implementation of "Phase I" began in November 2009, and

implementation of "Phase II" will begin in July 2010. Upon completion of "Phase II," all public and private hospital admissions will be reviewed using the updated InterQual criteria. (See Appendix A for DHH's full response.)

Recommendation 2: Once DHH's admission policy is revised, DHH should monitor Unisys to ensure it uses medical criteria to determine the medical necessity of all requests prior to authorizing the admission.

Summary of Management's Response: DHH agrees with this recommendation, and notes that the implementation includes an administrative plan for the ongoing monitoring of the Unisys contract for compliance. The contract amendment with Unisys requires annual updates of InterQual. (See Appendix A for DHH's full response.)

Recommendation 3: DHH should validate Unisys' acute care inpatient data and should ensure that Unisys maintains the accuracy and completeness of this data on an ongoing basis.

Summary of Management's Response: DHH agrees with this recommendation; however, the Department notes that the constraints of the existing information systems limit the ability to capture this complex data. The replacement Medicaid Management Information System (MMIS), for which DHH is working on a Solicitation of Proposal (SFP), is set to be released in 2010 and will ensure the accuracy and completeness of this data. (See Appendix A for DHH's full response.)

When DHH uses medical criteria to ensure hospitalizations are necessary, the criteria are outdated.

As stated previously, DHH estimates that Unisys data entry clerks authorize reimbursement for approximately 80% of Medicaid hospitalizations, but do not use medical criteria. However, Unisys does use the 1995 version of InterQual medical criteria in some instances to ensure medical necessity. For example, Unisys nurses use InterQual medical criteria for admissions if the request includes one or more outpatient procedures to be performed on an inpatient basis. In addition, Unisys uses InterQual to consider requests from providers to extend a patient's stay in the hospital.

According to DHH, Unisys purchased, and DHH paid for, approximately $1.15 million in InterQual licensing fees over the past five years, which include medical criteria updates. We attempted to obtain the total amount DHH has paid for InterQual licensing fees, including these updates, from 1994-2004, but DHH was unable to provide us with this information. The contract between DHH and Unisys provides that DHH must request the purchase of updates to the medical criteria, but the contract is vague on implementation. Even though Unisys bought and DHH paid for these licensing fees and criteria updates over the past 15 years, neither Unisys nor DHH ensured that InterQual updates were implemented. We have not determined whether the updated criteria would have changed the decision to hospitalize patients. However, it is

reasonable to believe that changes would result from using the more current information/criteria on medical necessity.

In its December 2007 report, Milliman states that DHH's InterQual medical criteria is out of date and should be updated, as this version could result in *"medically inappropriate determinations . . . where medical practice has changed significantly since 1995."* In addition, officials with CareGuide, Louisiana's OGB contractor, and BlueCross BlueShield of Louisiana told us that they use the current version of medical criteria.

As a result of using outdated criteria, DHH may be authorizing admissions that are not medically necessary. According to DHH claims data, fiscal year 2009 Medicaid inpatient acute care expenditures were $899,567,338, with an average cost per patient admission of $4,112. From a financial standpoint, DHH could be incurring excessive costs in its Medicaid program because of inappropriate utilization of services. The quality of care could be impacted if DHH failed to authorize reimbursement for the correct level of care and the provider based its care on this determination.

DHH recognizes the need for improvement. According to DHH, it has recently updated the InterQual medical criteria to the current version as of November 2009. In addition, DHH is seeking approval to reorganize its MMIS section. This reorganization will allow the MMIS section to establish a unit formally dedicated to contract monitoring and will allow MMIS to levy sanctions against its contractors for noncompliance as needed.

Recommendation 4: DHH management should determine why the updates to InterQual medical criteria were not implemented and if it is determined that Unisys is responsible, seek reimbursement for the cost of the updates.

Summary of Management's Response: DHH agrees with this recommendation, and notes that, after reviewing its own records, the Department has requested data from Unisys and will ensure that appropriate action allowed under the existing contract is taken in response to those findings. (See Appendix A for DHH's full response.)

Recommendation 5: DHH should monitor Unisys to ensure that it uses the most current version of InterQual.

Summary of Management's Response: DHH agrees with this recommendation, and notes that the latest available version of InterQual was implemented in November 2009. The contract amendment with Unisys requires annual updates of InterQual. The Department has initiated monitoring of compliance during State Fiscal Year 2010. (See Appendix A for DHH's full response.)

Recommendation 6: DHH should continue to pursue its reorganization of the MMIS section to improve its oversight of the Unisys contract, including the ability to levy sanctions for noncompliance as needed.

Summary of Management's Response: DHH agrees with this recommendation. For the replacement MMIS, DHH has developed specific performance indicators that will be tied directly to the ability to levy sanctions. (See Appendix A for DHH's full response.)

DHH does not use current guidelines to determine how long a patient needs to stay in the hospital.

As DHH's fiscal intermediary, Unisys also determines how long a patient can stay in the hospital, for reimbursement purposes. However, Unisys uses the 2005 version of the Thomson Healthcare LOS[5] guidelines to assign these stays, even though these guidelines are updated annually. Unisys data entry clerks and review nurses assign these hospital stays as described below:

- **Length of stay when assigned by a data entry clerk.** If the data entry clerk authorizes the admission, the length of stay assigned is the length of stay guideline hard-coded in the Unisys application, with two exceptions.[6]

- **Length of stay when assigned by a review nurse.** If the Unisys review nurse authorizes the admission, the review nurse will consider the length of stay guideline hard-coded in the Unisys application, but is not required to accept this value.[7]

DHH has not ensured that Unisys implement current length of stay guidelines, which are hard-coded in its application, even though DHH requested this data to be updated on an annual basis. Officials with CareGuide, Louisiana's OGB contractor, and BlueCross BlueShield of Louisiana told us that they refer to current length of stay guidelines when assigning the length of a patient's stay in the hospital.

By using outdated information, DHH is not ensuring that the length of stay is clinically appropriate. The use of this 2005 data could impact the quality of care and cost of services. DHH's claims data indicates that the average length of a patient's stay in the hospital was four days in fiscal year 2009 (bringing the average cost per day to approximately $1,028, using figures presented in this report). We spoke to an official with Thomson Healthcare regarding the importance of staying up-to-date with length of stay data. He said that it is important to have data that reflects market trends every year because the market changes constantly. Effects of using outdated data could include unnecessary payments, encouraging longer hospital stays, and patients potentially incurring hospital acquired infections or additional illnesses.

[5]As indicated previously in this report, these guidelines were formerly referred to as Solucient.

[6]Exceptions, per federal guidelines, include Caesarean sections and vaginal births.

[7]Using clinical judgment, the review nurse can also review other available guidelines and documentation submitted by the provider when assigning the length of stay. According to Unisys, DHH and Unisys have several agreed-upon length of stay assignments.

DHH recognizes the need for improvement. According to DHH, the department has recently updated the length of stay guidelines to the current version as of November 2009. In addition, DHH planned to further customize its use of these guidelines by using more detailed and age-appropriate information.

Recommendation 7: DHH should monitor Unisys to ensure that it uses the most current length of stay guidelines.

Summary of Management's Response: DHH agrees with this recommendation, and notes the latest available version of Thomson Reuters Length of Stay (LOS) data for acute inpatient adult, pediatric, and psych inpatient stays was implemented in November 2009. The contract amendment with Unisys requires annual updates of the criteria. The Department has initiated monitoring of compliance during State Fiscal Year 2010. (See Appendix A for DHH's full response.)

Recommendation 8: DHH should ensure that both DHH and Unisys develop, and agree upon, clear guidelines directing the use of review nurse clinical judgment when considering length of stay assignment.

Summary of Management's Response: DHH agrees with this recommendation, and notes the Department continues to develop written operational guidelines and will monitor adherence to these written operational guidelines for compliance. (See Appendix A for DHH's full response.)

Area for Further Consideration

DHH may be paying for hospital days incurred as a result of hospital-acquired infections.

During a hospital stay, patients are at risk of developing hospital-acquired infections. According to DHH officials, DHH cannot estimate the fiscal impact of hospital-acquired infections on the Medicaid program because the department does not track this information. Thus, DHH may be paying claims that include hospital-acquired infections for Medicaid recipients.

In July 2008, CMS notified state Medicaid directors that CMS no longer pays for certain hospital-acquired infections in the Medicare program. According to CMS, some of these infections are included on the National Quality Forum's list of Serious Reportable Events, commonly referred to as "never events."

> **Never Events** are defined as errors in medical care that are of concern to both the public and health care professionals and providers, clearly identifiable and measurable (and thus feasible to include in a reporting system), and of a nature such that the risk of occurrence is significantly influenced by the policies and procedures of the health care organization.
>
> - Centers for Medicare and Medicaid Services (CMS) letter, July 31, 2008

CMS recommends that states adopt similar provisions in their Medicaid programs. According to the National Council of State Legislatures (NCSL), several states (Kansas, Nebraska, New Jersey, New York, and Wisconsin) have submitted Medicaid state plan amendments to CMS. DHH has not done so. Other organizations we interviewed recognize the importance of tracking and limiting the payment of hospital-acquired infections. A CareGuide official told us that CareGuide informs Louisiana's OGB if hospital-acquired infection trends are identified. This official told us that CareGuide does so to alert OGB to the issue and provides OGB with the opportunity to determine if it wants to continue contracting with that facility the following year.

Recommendation 9: DHH should develop a method to require providers to track and report hospital-acquired infections in the Medicaid population.

Summary of Management's Response: DHH agrees with this recommendation, and notes the Department has begun discussions with the hospital industry on the potential implementation of public reporting of infections through the National Healthcare Safety Network, a function of the Centers for Disease Control. Publicly reporting infections at the hospital level can be an extremely helpful tool for consumers and hospitals. The Department cautions, however, that it is extremely important to ensure reporting of infections captures infections that are hospital-acquired in the reporting institution. This initiative is under way, and the Department expects a resolution to be introduced in the 2010 Legislative session to ensure Legislative intent is clear. (See Appendix A for DHH's full response.)

Recommendation 10: DHH should request permission from CMS to refuse payment for prohibited hospital-acquired infections that are included in Medicaid claims.

Summary of Management's Response: DHH agrees with this recommendation, and notes the Department is exploring how to integrate this policy into the per-diem payment methodology, while also ensuring that the data the Department is basing the payment decision on is accurate and attributable to the appropriate hospital. (See Appendix A for DHH's full response.)

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APPENDIX A: MANAGEMENT'S RESPONSE

Bobby Jindal
GOVERNOR

Alan Levine
SECRETARY

State of Louisiana

Department of Health and Hospitals

Office of Management and Finance

March 18, 2010

Mr. Daryl G. Purpera, CPA
Louisiana Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Enclosed please find our responses to your list of recommendations on the Medicaid Acute Care Inpatient Hospitalizations dated February 18, 2010.

Should you have further questions, please do not hesitate to call. I can be reached at 342-6726.

Sincerely,

Jerry L. Phillips
Undersecretary

JLP/fdh

Louisiana Legislative Auditor Report
March 15, 2010

Louisiana Department of Health and Hospitals
Medicaid Acute Care Inpatient Hospitalizations

Recommendation with Response:

Recommendation 1:
DHH should revise its admission policy to require Unisys to conduct a clinical review of each admission request to determine whether it is medically necessary.

Response:
The Department concurs with this recommendation and has implemented the initial steps towards obtaining this goal. In 2008, DHH notified the Legislature of the Secretary's concern that current criteria were not in place, and in fact, each admission was not being reviewed. That year, and into 2009, upon seeking funding from the Legislature, the Department began implementing the updated InterQual criteria in phases so as to minimize operational impact to providers while also avoiding unintended negative consequences. In January 2009, the Legislature agreed to allow the Department to proceed with its plan.

Implementation of Phase I began in November 2009 with Phase II starting in July 2010. Upon completion of Phase II, all public and private hospital admissions will be reviewed utilizing the updated InterQual criteria.

In addition to agreeing with this recommendation, the Department believes another area of exposure is the utilization of diagnostic imaging, which has not been prior-authorized before. The Department is implementing a Radiology Utilization Management program through Unisys which will result in prior authorizations of certain diagnostic testing to ensure medical necessity.

Recommendation 2:
Once DHH's admission policy is revised, DHH should monitor Unisys to ensure it uses medical criteria to determine the medical necessity of all requests prior to authorizing the admissions.

Response:
The Department concurs with this recommendation. Implementation includes an administrative plan for the ongoing monitoring of the Unisys contract for compliance. The contract amendment with Unisys requires annual updates of InterQual. The Department will also be monitoring the compliance of the Radiology Utilization Management initiative.

Recommendation 3:
DHH should validate Unisys' acute care inpatient data, and should ensure that Unisys maintains the accuracy and completeness of this data on an ongoing basis.

Response:
The Department concurs with this recommendation; however, the constraints of the existing information systems limit the ability to capture this complex data. The replacement Medicaid Management Information System (MMIS), for which DHH is working on a Solicitation of Proposal (SFP), is set to be released in 2010 and will ensure the accuracy and completeness of this data.

Recommendation 4:
DHH management should determine why the updates to InterQual medical criteria were not implemented and if it is determined that Unisys is responsible, seek reimbursement for the cost of the updates.

Response:
The Department concurs with this recommendation. After reviewing its own records, DHH has requested data from Unisys and will ensure that appropriate action allowed under the existing contract is taken in response to those findings.

Recommendation 5:
DHH should monitor Unisys to ensure that it uses the most current version of InterQual.

Response:
The Department concurs with this recommendation. The latest available version of InterQual was implemented in November 2009. The contract amendment with Unisys requires annual updates of InterQual. The Department has initiated monitoring of compliance during SFY10.

Recommendation 6:
DHH should continue to pursue its reorganization of the MMIS section to improve its oversight of the Unisys contract, including the ability to levy sanctions for noncompliance as needed.

Response:
The Department concurs with this recommendation. For the replacement MMIS, DHH has developed specific performance indicators that will be tied directly to the ability to levy sanctions.

Recommendation 7:
DHH should monitor Unisys to ensure that it uses the most current length of stay guidelines.

Response:
The Department concurs with this recommendation. The latest available version of Thomson Reuters Length of Stay (LOS) data for acute inpatient adult, pediatric, and psych inpatient stays was implemented in November 2009. The contract amendment with Unisys requires annual updates of the criteria. The Department has initiated monitoring of compliance during SFY10.

Recommendation 8:
DHH should ensure that both DHH and Unisys develop, and agree upon, clear guidelines directing the use of review nurse clinical judgment when considering length of stay assignment.

Response:

The Department concurs with this recommendation. The Department continues to develop written operational guidelines and will monitor adherence to these written operational guidelines for compliance.

Recommendation 9:

DHH should develop a method to require providers to track and report hospital-acquired infections in the Medicaid population.

Response:

The Department concurs with this recommendation and has begun discussions with the hospital industry on the potential implementation of public reporting of infections through the National Healthcare Safety Network, a function of the Centers for Disease Control. Publicly reporting infections at the hospital-level can be an extremely helpful tool for consumers and hospitals. The Department cautions, however, that it is extremely important to ensure reporting of infections captures infections that are hospital-acquired in the reporting institution. In many cases, infections are community-acquired, or in other instances, acquired in one hospital, and the patient subsequently transferred. There are other factors that may distort the reporting. The Department supports the effort other states have made to require hospital reporting to the NHSN, and requiring hospitals to permit the CDC to share specific data with the state. In this instance, the Department will not be requiring redundant reporting, and the data will be similar to that which is collected and disseminated nationally. This initiative is under way, and the Department expects a resolution to be introduced this Legislative session to ensure Legislative intent is clear.

Recommendation 10:

DHH should request permission from CMS to refuse payment for prohibited hospital-acquired infections that are included in Medicaid claims.

Response:

The Department concurs with this recommendation, and is exploring how to integrate this policy into our per-diem payment methodology, while also ensuring, as explained in the response to Recommendation 9, that the data the Department is basing the payment decision on is accurate and attributable to the appropriate hospital.