

Department of Health and Human Services
Financial Services - Audit
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Final Informal Review Decision

September 28, 2012

Jennifer Goodrich
Vice President & Chief Financial Officer
Charles A. Dean Memorial Hospital
P.O. Box 1129 – Pritham Avenue
Greenville, ME 04441

Dear Jennifer,

You have requested an informal review of an audit report for C.A. Dean Memorial Hospital dated 06/29/12 for the operating period from 09/27/09 to 09/25/10 that resulted in underpayments of \$6,546.77 for nursing care. Your appeal request is based on your letter dated 08/20/12.

As a result of your request, we have prepared an informal review. Our Final Informal Review Decision is as follows:

Appeal Issue #1, Disallowed MaineCare Claims:

The Provider is appealing the disallowance of 471 MaineCare direct care days and 425 MaineCare room & board days for the month of September, 2010. The Provider requests that the days be included in a revised settlement.

Audit's response to Issue #1:

In regards to the unpaid MaineCare claims issue, the Division of Audit (Audit) is not authorized to determine member eligibility or process claims for payment; member eligibility determination and claims processing are the domain of the Office of MaineCare Services (OMS). Please contact the Director of OMS, Stefanie Nadeau for assistance in adjudicating these disallowed claims. When contacting OMS please indicate that the unpaid claims issue is currently in appeal with Audit.

Appeal Issue #2, Allocation of 100% of Interest Expense to Other on Schedule R:

The Provider claims that the 2010 audit settlement understates the Facility's allowable interest expense. The State allocated 100% of the Facility interest expense to the "Other" category on Schedule R, effectively disallowing any allocation of allowable interest to the Nursing Unit. The interest expense relates to capital leases for equipment and a refinancing instrument that replaced a secured loan. The Provider requests that the Department reverse its decision and allocate 100% of the interest expense to the Nursing Unit.

Audit's response to Issue #2:

The Auditor's Schedule R reclassification of the net amount of \$11,550 of unsecured long-term debt interest expense (\$31,120 - \$19,570 of interest income) and \$8,504 of leased hospital equipment interest to the hospital as non-reimbursable nursing facility costs is consistent with the previous year's 9/26/09 audit findings and is supported by the NF Principles of Reimbursement. Principle 44.5.2 indicates that long-term loans must be secured by a fixed asset such as a building, equipment or capital improvements. The Provider's 2/22/07 Notice of Final Agreement with Camden National Bank indicates that: "The term "loan" means the following described loan: a Variable Rate Nondisclosable loan to a Corporation for \$455,542.41 due on February 22, 2022. This is an unsecured renewal loan." On Page 2 of the Provider's 2/22/07 Promissory Note Agreement next to the word COLLATERAL is the phrase: "This loan is unsecured." Principle 44.5.2 further indicates that an unsecured working capital loan cannot exceed 15 months in duration.

It was also documented per the previous year's 9/26/09 audit report that the interest applicable to leased equipment was for two hospital assets: a Shared Imaging Diagnostic Imaging System, and a Xarlo Ultrasound Imaging System. These assets are clearly not nursing facility assets; Principle 24.2 states that: "Costs must be ordinary and necessary and related to resident care."

In conclusion, the Auditor was correct in reclassifying the interest on the unsecured debt and the capital lease interest applicable to leased equipment for the Hospital Unit from the Nursing Facility (NF) to the "Other" column on Schedule R.

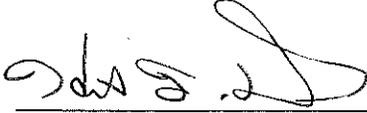
This final informal review decision is based upon a consultation with the auditor of record, a review of his audit report and the related work papers, and your subsequent communications to us. If OMS subsequently approves the unpaid MaineCare claims for inclusion in a revised cost settlement, Audit will revise the original cost settlement.

Please refer to the attached Notice of Appeal Rights of MaineCare Providers for an explanation of your facility's further appeal options.

Sincerely yours,



Stephen L. Baird
Auditor of Record



Herbert F. Downs
Director, Division of Audit

Enclosure:

Notice of Appeal Rights of MaineCare Providers

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF AUDIT – MAINECARE AND SOCIAL SERVICES**

NOTICE OF APPEAL RIGHTS OF MAINECARE PROVIDERS

1. Informal Review:

If you disagree with any portion of the audit report, you must request an informal review by the Director of the Division of Audit, or his designee, by notifying the Division of Audit, 11 State House Station, Augusta, Maine 04333-0011, in writing **within 60 days of receipt of the audit report** of the issues that are in dispute. You must also provide any and all information that you intend to rely upon in disputing each issue. Failure to give timely notice or to include the information relied upon shall constitute a waiver of your facility's right to an informal review and to any subsequent administrative appeals. See the following chart for a reference to the Department's regulation that provides further explanation of your facility's appeal rights and the information you must present in your response:

<u>Type of Facility</u>	<u>Effective Date</u>	<u>Appeal Regulation Citation</u>
Nursing Facility	07-01-09	Principle #140 (MCBM, Chapter III, Section 67)
	09-28-09	Principle #140 (MCBM, Chapter III, Section 67)
	04-25-10	Principle #140 (MCBM, Chapter III, Section 67)
	07-01-10	Principle #140 (MCBM, Chapter III, Section 67)

(Note: MCBM = MaineCare Benefits Manual)

2. Administrative Hearing:

If you disagree with the decision made after an informal review, you must request an administrative hearing by the Commissioner of the Department of Health and Human Services, or his designee, by notifying the Commissioner's office, in writing **within 60 days of receipt of the informal review decision** of the issues that are in dispute. Only those issues presented for informal review will be considered at the administrative hearing. See MaineCare Benefits Manual, Chapter I, Section 1.21; also see the Administrative Hearing Regulations.

3. Petition for Judicial Review:

If you disagree with the Commissioner's final decision made after an administrative hearing, you may petition the Superior Court for judicial review of final agency action. See 5 M.R.S.A §§ 11001-11007.