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October 17, 2008

To Interested Parties:

In December 2007, the Department of Finance Office of State Audits and Evaluations (OSAE) released the report entitled, "Review of Claims Processes for the California Department of Mental Health's Short-Doyle/Medi-Cal Programs." Attached is the Department of Mental Health's (DMH) 2008 update to the claims corrective action plan in response to OSAE's review. These updates reflect DMH's continued commitment to tracking and implementing the corrective actions.

➤ DMH has successfully completed many corrective actions, including:

- DMH has implemented a Control Self-Assessment pilot project in the Program Compliance division (observation 1E).
- In August 2008, DMH hired an Internal Auditor as a member of the Directorate staff (observation 1E).
- A software vendor has been selected and will begin work in November 2008 on the Accounting System Automation Project (ASAP). Full implementation of the ASAP software is scheduled for July 1, 2009 (observation 2D).
- Information technology controls, coordination, and communication between DMH and DHCS have significantly improved. For example, a Short-Doyle/Medi-Cal system change request system was established; changes are reviewed and prioritized on a monthly basis. DMH has also established the SD/MC II Steering Committee to work collaboratively with DHCS, ADP, and the counties in developing and implementing the new Medi-Cal claims system (observation 3).
- The DMH Letter 08-03 was sent out May 8, 2008 requiring all claims submitted after May 23, 2008 to have the National Provider Identifier (NPI; observation 4A).
- On November 1, 2008, DMH will require all counties to use the Client Index Number (CIN) instead of the Social Security Number (SSN). DMH has been working with counties on this transition since April 2008 (observation 4B).
- DMH has implemented a cash management system and hired a Cash Manager to monitor appropriation balances (observation 6B).
- The DMH has established a new accounts receivable process and has re-engineered the accounts payable processes. As a result, DMH is able to promptly identify, collect, and remit to the Center for Medicare and Medicaid Services (CMS) any overpaid Federal Financial Participation (FFP; observation 6D).
- With the elimination of the DHCS credit memo process (transfer of funds between programs) DMH has eliminated inconsistent payment timeliness procedures, saving up to two months of processing time for FFP (observation 8).
- DMH produces a weekly County Claims Status Report which notifies counties about pending Medi-Cal claims (i.e., waiting receipt of FFP from DHCS, claim schedule sent to SCO for payment, etc.) thereby allowing counties to approximate when they will receive payments (observation 8B).

- The DMH Medi-Cal Claims Customer Service Office (MedCCC), since implementation in April 2008, has resolved approximately 350 county questions with an improved response time of fewer than two weeks concerning complex and priority inquiries. The MedCCC continues to work with DMH IT in developing reports which display benchmarks from date claim submitted by counties to payment by SCO and other processes (observation 8B).
 - DMH has sponsored a County-State Medi-Cal Claims Payment Processing Improvement Task Force and Short-Doyle/Medi-Cal Phase II Steering Committee.
- Some target dates have been adjusted as DMH progresses:
- In order to work with the State Controller's Office (SCO) to implement the electronic filing of claims schedules, DMH will need the ASAP accounting system to be in place. When the ASAP accounting software is running, DMH will work with the SCO in order to achieve this objective. Consequently, the target date has been adjusted from July 1, 2009 to March 1, 2010.
 - As DMH continues to improve claims and payment processing time, other corrective actions within this plan must be achieved before claims processing times meet state and federal standards, including the implementation of ASAP and the new DHCS IT platform, Short-Doyle/Medi-Cal Phase II. Therefore, DMH is extending the deadline for this corrective action to July 1, 2009 (observation 8A).
 - DMH had adjusted the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action may require a substantial investment of time, planning, and dialogue with counties, control agencies, and the Legislature. Subsequently, DMH decided to align these efforts with the Medi-Cal Cost Settlement Project which is evaluating the current cost settlement process. The target date has been extended to June 30, 2009 (observation 9).
- DMH has developed an early warning sheet to notify responsible parties of upcoming target dates for corrective actions. Attached are the early warning sheets for October – November 2008.

In October 2008, this reporting and monitoring service will be transitioned to the DMH Deputy Directors responsible for Administration, Community Services, and Information Technology. The Director's Office will maintain oversight of their efforts through the services of the new Internal Auditor.

Sincerely,

[original signed by]
Sean Tracy

Chief, Strategic Planning & Policy
DMH Director's Office
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Attachments: October – November 2008 early warning sheet
Claims corrective action plan update

**Claims Early Warning Sheet
October – November 2008**



**DMH & DHCS Corrective Action Plan in Response to OSAE Mental Health Medi-Cal Claims Review (December 2007)
Early Warning: Upcoming Recommendation Due Dates for October-November 2008**

Please refer to the claims corrective action plan for more specific DMH actions.

OSAE Observation 1: Governance Over the Short-Doyle/Medical Programs, Processes, and Systems is Ineffective

Recommendation	Due Date & Status	Responsible Party
1C) Develop performance benchmarks for SD/MC claims processing tasks, and regularly evaluate actual performance against these benchmarks. Promptly investigate significant variances and correct tasks/activities as needed.	10/1/2008	Stan Bajorin, DMH Administration & Fiscal Services Division; Sara Murillo, DMH Accounting Officer

OSAE Observation 6: Accounting and Reporting Systems Do Not Provide Timely and Accurate Information

Recommendation	Due Date & Status	Responsible Party
6C) Record all disallowed claims, audit findings, cost settlements, overpayments, and other adjustments as accounts receivable. DMH supervisors should review and approve all offsets before they are applied against MHP claims and liquidation of the related receivable.	10/1/2008	Stan Bajorin, DMH, Administration and Fiscal Services.

OSAE Observation 9: Cost Settlements and Audits Are Not Performed Timely

Recommendation	Due Date & Status	Responsible Party
9A) Require MHPs to submit final cost reports by December 31 following the end of the fiscal year. Eliminate the acceptance of amended reports beyond this date and use the December 31 reports as the basis for cost settlement and audit.	10/1/2008	Stan Bajorin, DMH Administrative and Fiscal Services; DMH Local Financial Program Cost Reports.
9B) Conduct cost report audits within three years of submission of MHP's cost reports.	10/1/2008	Stan Bajorin, DMH Administrative and Fiscal Services;Carolynn Michaels, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief.
9C) DMH's Audit Unit should annually complete and document a comprehensive risk analysis of all MHPs as a basis for selecting which cost reports to audit. In the analysis, include all risk factors that are appropriate to effectively plan and execute the audits. Revise the audit plan/program to include a review of MHP's internal monitoring activities.	10/1/2008	Carolynn Michaels, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief

**DMH Corrective Action Plan in response
to OSAE Review of Claims Processes**

SHORT-DOYLE/MEDI-CAL CLAIMS PROCESSING CORRECTIVE ACTION PLAN

OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
<p>OBSERVATION 1: Governance Over the Short-Doyle/Medical Programs, Processes, and Systems is Ineffective</p>	<p><i>(A) Improve communication between DMH and DHCS. This communication should include timely notification of any issues that jointly impact both departments' daily operations. Current interdepartmental weekly meetings should be expanded to include problem identification and resolution as a regular agenda item. At these meetings, both departments should be free to air any issues that cross departmental lines. Develop a process that allows line staff to bring concerns to management for resolution immediately or at the interdepartmental meetings.</i></p>	<p>Since March 2007, DMH has sponsored a Medi-Cal Mental Health Services Workgroup which currently involves DHCS, CMHDA, Providers, and Consumers. In addition, DMH has sponsored weekly Fiscal Services Management meetings that communicate and collaborate on problem identification and resolution, around the business issues involving Medi-Cal and other mental health services. DHCS has been an active and complete participant in these weekly discussions. DMH has created Project Charters for both Workgroups, recorded weekly meeting activities, sponsored special events and guests from the MH Community and Office of State Audits and Evaluations. In addition, DMH and DHCS Accounting and Waiver Units have been meeting regularly to discuss problems and resolve issues.</p>	<p>Ongoing: as of February 2008, DMH will incorporate a "Problem Identification and Resolution" discussion agenda item during our DMH Fiscal Services Management Workgroup meetings (DMH, DHCS, OSAE participants) effective January 18, 2008. Members were briefed on this item during our January 18, 2008 meeting. The Workgroup will begin a more intensive focus on problem resolution and governance issues going forward.</p> <p>In May 2008, DMH and DHCS developed a joint "Decision Matrix" that is updated, distributed, and discussed weekly.</p>	<p>Sean Tracy, DMH Director's Office</p>	<p>Implemented 02/2008 Ongoing</p>
		<p>Issues related to invoicing for Medicaid FFP discussed at weekly meetings; Monthly Short-Doyle/Medi-Cal (SD/MC) meetings with DMH and the Department of Alcohol and Drug Programs which focus on the current system maintained by the DHCS Information Technology Services Division (ITSD); Monthly working meetings and Advisory Board meetings for the SD/MC Phase II Project, with remediation efforts underway for SD/MC Phase II.</p>	<p>Ongoing: as of February 2008, to ensure fiscal integrity in billing under the Medi-Cal Specialty Mental Health Services Consolidation (SMHSC) waiver program, DHCS agrees that the scope of the interdepartmental meetings should be expanded to include problem identification and resolution, including subjects such as information technology, accounting, cost-settlement, and audits. Additional business and information technology meetings regarding invoicing DHCS, DMH, and ADP will be occurring.</p>	<p>Irv White, DHCS Waiver Unit</p>	<p>Implemented 02/2008 Ongoing</p>

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<p>(continued) OBSERVATION 1: Governance Over the Short-Doyle/Medical Programs, Processes, and Systems is Ineffective</p>	<p><i>(B) Improve communication between DMH and MHPs. Establish a centralized point of contact within DMH for MHPs to address concerns and questions, and to check the status of individual claims. DMH should promptly respond to MHPs with the requested information.</i></p>	<p>As of March 2008, DMH Administrative Services Director, Stan Bajorin, has attended and presented information during many California Mental Health Director's Association (CMHDA) Financial Services Committee, Small County Committee, and All-Directors meetings, Mr. Bajorin has communicated that he is the central point of contact when County Mental Health Directors are not getting the information necessary to resolve claims issues. Mr. Bajorin has also designated Division Management to serve as specialists to resolve multiple county claims issues and problems, which has worked to the CMHDA's and individual county's satisfaction on numerous occasions.</p> <p>As of March 2008, Mr. Bajorin will be the point of contact for MHPs. However, Mr. Bajorin, the Financial Services Manager, and the Fiscal Policy Manager have determined that the most effective point of contact would be the Medi-Cal Claims Customer Service Unit (MedCCC), established in April 2008.</p>	<p>MedCCC has resolved approximately 350 county questions with an average response time ranging from 1 day to two weeks. This service allows MHPs to address issues related to Short-Doyle Medi-Cal Fiscal and Accounting issues involving DMH.</p> <p>DMH also proposed in the Governor's Budget Balancing Reductions that a Short-Doyle MediCal Unit be established to produce efficiencies and cost savings as a result of improvements to our business process.</p>	<p>Stan Bajorin , DMH Administration & Fiscal Services Division; Denise Arend, DMH Community Services Division</p>	<p>Implemented as of 3/1/2008</p> <p>Ongoing</p>
	<p><i>(C) Develop performance benchmarks for SD/MC claims processing tasks, and regularly evaluate actual performance against these benchmarks. Promptly investigate significant variances and correct tasks/activities as needed.</i></p>	<p>DMH is working to establish an internal benchmark for processing Claim Schedules and FFP invoices as of date of receipt of correct ASR from DHCS.</p> <p>DMH has established a process to reconcile ASRs and have established a timeline with benchmarks for the processing of claims.</p>	<p>DMH will work with DHCS to eliminate redundancy and duplication of efforts in processing of FFP invoices. DMH will also be reporting to CMHDA and other interested parties the progress of efforts and documentation of benchmarks.</p> <p>If not already incorporated performance benchmarks for SD/MC Phase II could be developed and perfected as the project is formally structured and documented with an executive sponsor, stakeholders, steering committee, project manager, and advisory and working groups.</p>	<p>Stan Bajorin, DMH Administration & Fiscal Services Division; Sara Murillo, DMH Accounting Officer</p> <p>Mike Nguyen, DHCS CIO; Denise Blair, DMH CIO</p>	<p>10/1/2008</p> <p>7/1/2009</p>

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<p>(continued) OBSERVATION 1: Governance Over the Short-Doyle/Medical Programs, Processes, and Systems is Ineffective</p>	<p><i>(D) Assign overall authority and responsibility for the SD/MC Program and Payment System to one individual or centralized unit within DMH.</i></p>	<p>As of March 2008, DMH conducted an internal Administrative and Accounting Controls evaluation of current systems and identified that there was a strong need for centralized coordination and decision making about claims payment and processing problem resolution. Currently, the centralized point of authority is Stan Bajorin, the Deputy Director for Administration and Fiscal Services.</p>	<p>As of March 2008, DMH is convening internal Executive Level meetings among the Divisions which are involved with SD/MC claims payment systems to determine the appropriate organizational placement of the unit, scope of responsibility, staffing needs (redirected), and authority over systems or activities in other divisions within DMH.</p> <p>As of May 2008, Stan Bajorin, DMH Administration and Fiscal Services Deputy, will serve as the authority for the SD/MC payment system. He is supported by the personnel assigned to the Medi-Cal Claims Customer Service Unit (MedCCC).</p>	<p>Stan Bajorin , DMH Administration & Fiscal Services Division</p>	<p>3/1/2008 Implemented and Ongoing</p>
	<p><i>(E) Establish a formal risk assessment process of DMH's critical business functions and programs that regularly evaluates threats and timely mitigates these threats with appropriate control measures.</i></p>	<p>In late December 2007, DMH and DHCS Executives received an OSAE presentation on a conference call to discuss Risk Assessment Tools and Strategies. As a result, DMH, DHCS, and OSAE agreed to evaluate and adopt appropriate risk assessment tools, including the potential use of Control Self Assessments. DMH hosted OSAE and DHCS during a training forum on Risk Assessment Tools on January 18, 2008 and will invite OSAE to present other tools to the Weekly Workgroup in January and February as the Auditor's schedule permits.</p> <p>As of April 2008, DMH has developed a Control Self-Assessment (CSA) model and has implemented a CSA pilot project. The Program Compliance Division Branches submit CSAs to the Deputy Director on a monthly basis and the CSAs are reviewed and updated semi-annually.</p>	<p>The DMH Program Compliance Division is using this CSA tool and will provide consultation to other divisions about the value and challenges though the pilot testing period (September 2008).</p> <p>DMH interviewed three fiscal candidates for the Internal Auditor position. The selected candidate decided to take a promotion with their current employer. DMH requested the Internal Auditor job opportunity flyer for recruitment be reposted to SPB's website in May 2008, and 8 applications were received. The Internal Auditor was hired in August 2008. The internal auditor will spearhead the risk assessment process and take the CSA model department wide. Meanwhile, DMH staff will be attending a CSA training June 2-6, 2008.</p>	<p>Carolynn Michaels, DMH Program Compliance Division; Vallery Walker, DMH Internal Auditor</p>	<p>4/1/2008 Pilot Implemented and Ongoing</p>

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<p>OBSERVATION 2: Information Technology Systems are Unreliable, Outdated, and at Risk of Failure</p>	<p><i>(A) DHCS should make implementation of the new SD/MC System the top priority and take steps to develop and install a replacement system without delay .</i></p>	<p>DHCS has contracted with Trinity Technology Solutions to implement the SD/MC II system on schedule. DHCS has invited DMH and ADP to an overview briefing of the project, its management, schedule, resources, and limitations for scope changes. DMH has dedicated a team of IT and business professionals to work with DHCS to implement SD/MC II on schedule, and to meet specific DMH business needs without extensive scope change.</p>	<p>The County-State Claims Payment Process Improvement Task Force membership includes the Alcohol and Drug Programs (ADP) CIO, DMH CIO, and the CMHDA IT and Financial Services Committees' chair. These local technical and MHP experts are prepared to provide ideas to DHCS about ways that local systems will better connect and communicate with SD/MC II. As of March 2008, DMH has created a SD/MC II Steering Committee; this Steering Committee is in constant communication with DHCS, ADP, and the Counties to monitor the development and implementation of the new system. The County-State Claims Payment Processing Task Force will be informed and involved with the evaluations of options for continuing the payments system.</p>	<p>Denise Blair, DMH CIO, Mike Nguyen, DHCS CIO; Stan Bajorin, DMH Administration and Fiscal Services</p>	<p>7/1/2009</p>
		<p>The actual remediation activity to replace the current system began November 20, 2007, via execution of a \$3.9 million contract awarded to Trinity Technology Group, Incorporated. Independent Project Oversight and Independent Validation and Verification contract resources for the SD/MC Phase II Project are also in place.</p>	<p>Although the remediation and implementation activities were originally estimated to take approximately 18 months, DHCS will investigate and pursue opportunities to shorten the schedule if it appears feasible. Additionally, DHCS obtained approval for two new positions as part of this year's approved budget (State Fiscal Year 07/08) to support the new SD/MC system in the future. Those positions will actually be effective July 1, 2008 and will be available to provide additional remediation and implementation support to the project. DHCS believes it is critical that SD/MC Phase II be a top priority for ADP and DMH, as well as our own department in order to ensure its success. The Department of Technology Services will also have significant impacts on the actual implemented solution. Since this project is a multi-departmental effort, the steering committee will consist of key members from DHCS, ADP, and DMH. With Agency's sponsorship, the steering committee will actively monitor progress and ensure successful system implementation.</p>	<p>Mike Nguyen, DHCS CIO; Bob O'Neill, DHCS HIPAA Compliance Officer</p>	<p>7/1/2009</p>

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<p>(continued) OBSERVATION 2: Information Technology Systems are Unreliable, Outdated, and at Risk of Failure</p>	<p><i>(B) CHHS should take an active oversight role to monitor development and progress of the new SD/MC System, and ensure that the needs of all stakeholders are met and that the project is completed on time.</i></p>	<p>In preparation of the SD II System project launch by DHCS, the CHHS has been aware of the link between this project and SD/MC claims processing improvements and HIPAA compliance. On behalf of CHHS, both the Office of HIPAA Implementation (OHI) and the Office of Systems Integration (OSI) are aware and monitoring the DHCS SD II Project. DMH and DHCS identified SD II as a key project when preparing information about priorities for the State's New CIO.</p>	<p>DMH and DHCS will inquire with CHHS, OHI, and OSI to participate in the project implementation monitoring for SD II. In addition, the DMH and DHCS CIOs have agreed that the Alcohol and Drug Program should become a more active and involved partner in this IT solution, and services delivery to counties and will extend an invitation to participate in the County-State Claims Payment Processing Improvement Task Force.</p>	<p>Denise Blair, DMH, CIO; Mike Nguyen, DHCS CIO</p>	<p>4/1/2008 Implemented and Ongoing</p>
	<p><i>(C) DMH should review and validate all invoices created within the Invoice Processing System (IPS) and ensure that any duplicate FFP amounts are promptly returned to DHCS.</i></p>	<p>DMH Accounting can monitor when the IPS system is inaccurately reporting invoices. DMH IT created an alert system solution that notices staff that IPS has an existing invoice with the same schedule number, service period, and program type. This alert helps DMH Accounting Staff identify problem invoices and prevents the inaccurately reporting or duplication of invoices.</p> <p>This has been completed with the implementation of the Cash Manager/Claim Schedule/ Invoice Processing process implemented as set forth in our reengineered process flow chart. Detailed desk procedures in process.</p>	<p>DMH Accounting staff and IT staff will continue to monitor the IPS so that the alert which was installed helps to prevent inaccurate reporting and duplicate billings. Other supervision and monitoring tools will be developed by the new DMH SD/MC Claims Unit, in collaboration with DHCS. The County-State Claims Payment Processing Improvement Task Force will be informed during the development and implementation process.</p> <p>The COTS invitation for bid was distributed July 2008. A vendor has been selected and will begin work in November 2008. Full COTS implementation is scheduled for July 1, 2009.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Denise Blair, DMH, CIO.</p>	<p>4/1/2008 Implemented and Ongoing</p>

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<p>(continued) OBSERVATION 2: Information Technology Systems are Unreliable, Outdated, and at Risk of Failure</p>	<p><i>(D) DMH should expedite the acquisition and installation of the COTS claims accounting system to replace the Access 97 Database.</i></p>	<p>Since June 2007, the DMH has been working with internal IT and Project Management staff, and control agencies to determine if a Commercial-Off-The-Shelf (COTS) system, complimented by enhanced supervisory controls, manual process management, Short-Doyle II, and improved business partner communications, will produce results needed to replace the current Access 97 system. DMH clearly understands the need to improve current software and manual systems.</p>	<p>The Accounting Office has mapped current manual processes, and is developing a reform plan to improve the management, supervision, accountability, and controls in place to better monitor and administer the 15 million claims DMH currently receives annually.</p> <p>The COTS invitation for bid was distributed July 2008. A vendor has been selected and will begin work in November 2008. Full COTS implementation is scheduled for July 1, 2009.</p>	<p>Stan Bajorin, DMH Administration and Fiscal Services; Denise Blair, DMH, CIO.</p>	<p>7/1/2009 Implemented and Ongoing</p>
	<p><i>(E) DMH should work with the State Controller's Office, (SCO) to implement electronic filing of claims schedules.</i></p>	<p>DMH has initiated discussions with DHCS and SCO about the potential for electronic claims filing schedules.</p>	<p>DMH will continue to work with DHCS, CMHDA, and recruit participation from ADP to determine if electronic claims filing schedules are feasible. DMH and DHCS will inform and involve the County-State Claims Payment Processing Task Force about activities and issues with this effort.</p> <p>The target date has been adjusted because this action is dependent on the implementation of observation 2D. After COTS is fully implemented, the process with the SCO will take approximately 6 months.</p>	<p>Stan Bajorin, DMH, Administration and Fiscal Services; Denise Blair, DMH, CIO. Mike Nguyen, DHCS, CIO.</p>	<p>3/1/2010 Adjusted from 7/1/2009</p>

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<p>OBSERVATION 3: Information Technology Controls, Coordination, and Communication are Inadequate</p>	<p><i>(A) CHHS should establish an agency level information technology architect function that provides a uniform vision and guidance for all Medi-Cal departments to follow. The function should provide for the standardization of system platforms, create opportunities to leverage developmental costs, discourage development of incompatible information technology solutions, and ensure that systems development is based on legitimate business needs.</i></p>	<p>The California Health and Human Services Agency (CHHS) has established an Office of Systems Integration that is charged with management and oversight of major CHHS IT projects and priorities. In addition, CHHS has established an Office of HIPAA Implementation (OHI) to ensure effective implementation of HIPAA statutes, regulations, and business practices. During this project development period, the OSAE convened IT and Business Managers from DHCS, ADP, DMH, and OSAE to discuss a need for a CHHS oversight role. At that time, all three Departments encouraged OSAE to consider postponing the agency oversight concept and that a period to manage the system between departments with the benefits of OSAE recommendations would determine the utility for CHHS oversight and direct involvement.</p> <p>DMH, DHCS, and CHHS met in February 2008 to discuss oversight and governance. Parties agreed that DMH and DHCS would keep CHHS informed of IT systems progress.</p> <p>A SDII Steering Committee meeting on May 19, 2008 that involved ADP Acting CIO, ADP HIPAA Project Director, and ADP Deputy Director of Licensing and Certification, and IV&V Consultant to discuss SDII development. A subsequent meeting on May 20, 2008 was held with DHCS on joint concerns of DMH and ADP regarding the SDII project. The Departments' mutual concerns were raised to DHCS in order to ensure that the level of concern was adequately communicated and resolution was adequately coordinated.</p> <p>A further join meeting between the CIOs of ADP, DMH, and DHCS was held on August 8, 2008 to resolve issues surrounding the SDMC Phase II project scope and the implementation schedule.</p>	<p>Ongoing communications among these departments:</p> <p>On May 14, 2008, DMH met with the CHHS California Office of HIPAA Implementation (CalOHI). In this forum, DMH and ADP were able to communicate openly regarding the progress of the SDII system. Topics of discussion included the project timeline and county involvement. DMH, DHCS, and ADP will continue to keep CHHS informed of system progress.</p> <p>The Agency Information Officer (AIO), has taken an ongoing advisory role in the monthly SDII Project meetings with CalOHI, DMH, ADP and DHCS.</p> <p>There are ongoing CHHS and interdepartmental meetings.</p>	<p>Denise Blair, DMH CIO. Mike Nguyen DHCS CIO</p>	<p>4/1/2008</p> <p>Implemented and Ongoing</p>

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<p>(continued) OBSERVATION 3: Information Technology Controls, Coordination, and Communication are Inadequate</p>	<p><i>(B) DMH and DHCS should develop a formal process to review and discuss mutual information technology issues including systems development, prioritization of information service requests and projects, operations, and maintenance. The communications should also include an early warning process for unresolved problems and significant threats.</i></p>	<p>The DMH and DHCS CIOs have established a framework to develop formal authorization and project monitoring guidelines and processes between departments. This agreement was reached in October 2007, and the CIOs have been working collaboratively, since, to ensure that project approval, testing protocol, change control, and system development are done in a coordinated, documented, and accountable manner.</p> <p>A SDII Steering Committee meeting on May 19, 2008 that involved ADP Acting CIO, ADP HIPAA Project Director, and ADP Deputy Director of Licensing and Certification, and IV&V Consultant to discuss SDII development.</p> <p>A subsequent meeting on May 20, 2008 was held with DHCS on joint concerns of DMH and ADP regarding the SDII project.</p>	<p>The DMH and DHCS CIOs have agreed on the need to develop formal written procedures and monitoring tools. In addition, the CIOs have included the ADP CIO, especially in regard to Medi-Cal systems, like SD/MC II and the current claims systems. One example of written procedures and monitoring tools is the Change Control Process for SD/MC II.</p>	<p>Denise Blair, DMH CIO. Mike Nguyen DHCS CIO</p>	<p>6/1/2008 Implemented and Ongoing</p>
	<p><i>(B) Continued</i></p>	<p>Currently, DHCS Information Technology Services Division (ITSD) has devised and uses an intake form for program fixes, file fixes, and special requests. This form is completed by the customer who identifies the problem and assigns the priority. Upon receipt, ITSD reviews the submitted form and either completes the requests or gains additional information and/or clarification from the customer. This process will be further refined by using DHCS' existing Remedy software as a tracking, prioritization, and notification tool for the work requests, operations, and maintenance until implementation or resolution. Furthermore, managers of ADP, DMH, and DHCS met the week of December 17, 2007 to develop a process for the review and approval of service requests. This is a preliminary step for ITSD in establishing memorandums of understanding and/or service level agreements.</p> <p>DHCS maintains a log of all SD/MC system change requests for review and prioritization by DHCS and DMH management on a monthly basis. All changes are coordinated with DMH staff so that testing occurs by DMH prior to production implementations. Changes are not implemented in production without DMH approval.</p>	<p>Regular collaborative meetings are held among ADP, DMH, and DHCS regarding IT systems and planning. For example, there are biweekly SD/MC Claiming Systems workgroup meetings as well as SD/MC Phase II project management meetings. In addition, ADP, DMH, and DHCS attend the California Mental Health Directors Association IT Committee meetings.</p>	<p>Denise Blair, DMH CIO. Mike Nguyen DHCS CIO</p>	<p>7/1/2008 Implemented and Ongoing</p>

SHORT-DOYLE/MEDI-CAL CLAIMS PROCESSING CORRECTIVE ACTION PLAN

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<p>OBSERVATION 4: DMH Has Not Required MHPs to Fully Implement HIPAA Requirements</p>	<p><i>(A) DMH should develop a plan to ensure that all MHPs are fully HIPAA compliant prior to implementation of the new SD/MC System.</i></p>	<p>DMH has been meeting with the counties and discussing the importance of becoming HIPAA compliant prior to the implementation of SD/MC System. All but five counties* are currently submitting files in a HIPAA Compliant 837 format. Four of the remaining proprietary format counties are testing and working with DMH to become HIPAA 837 certified in the next few months. Several counties have begun testing the use of the National Provider Identifier (NPI).</p>	<p>DMH distributed a DMH Letter announcing the deadline to become HIPAA compliant, including National Provider Identifier (NPI) requirements, on May 8, 2008. DMH will continue to offer technical assistance and a test environment to those counties needing assistance in meeting the National Provider Identifier (NPI) requirements.</p> <p>Counties began testing on April 1, 2008. DMH letter 08-03 was sent out stating that all claims must be submitted with NPIs by May 23, 2008.</p> <p>Cal OHI issued Policy Memorandum 2008-80 on May 21, 2008 supporting the NPI contingency period coming to an end.</p> <p>As of September 24, 2008, 56 Counties are NPI compliant. DMH continues to work with the two remaining counties (Siskiyou & Mendicino); they are currently in the testing process and are expected to be NPI compliant soon.</p>	<p>Denise Blair, DMH, CIO; Vonnie Ryser, DMH, HIPAA</p>	<p>05/01/2008 Implemented and Ongoing</p>
	<p><i>(B) DHCS should promptly identify a new beneficiary identification standard to replace the beneficiary's SSN.</i></p>	<p>DMH has asked DHCS to provide documentation to the counties and DMH as to whether they plan to use the client index number (CIN) or beneficiary identification card number (BIC) to replace the use of the Social Security Number.</p>	<p>DMH will work with counties to transition from the social security number (SSN) to either the client index number (CIN) or beneficiary identification card number (BIC), depending on which identifier DHCS decides to use. DMH and counties continually communicate in the DMH SD/MC Claiming System Biweekly Meetings.</p> <p>DHCS will work with DMH and ADP to eliminate the use of SSN on claims for the SD/MC system. The beneficiary identification standard will be based on data currently available in Medi-Cal electronic eligibility systems.</p> <p>Client Index Number usage will replace the SSN. Final cutoff date for counties is November 1, 2008.</p>	<p>Denise Blair, DMH, CIO; Vonnie Ryser, DMH, HIPAA; Mike Nguyen, DHCS, CIO.</p>	<p>05/01/2008 Implemented and Ongoing</p>

* Alpine, Placer/Sierra, Siskiyou, Ventura and Yolo Counties

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<p>OBSERVATION 5: The Current Claims Process is Flawed</p>	<p><i>(A) Combine and process both FFP and SGF amounts on one claim schedule that results in single warrant to each MHP</i></p>	<p>DMH conducted an internal review of its claim schedule process to evaluate methods of improvements in the Fall of 2007. For the first time in recent history, DMH documented the Short-Doyle/ Medi-Cal Claims Process to map out the current system which will aid in this evaluation. As a result, DMH has initiated an accounting systems improvement project that will re-engineer the manual process currently in place which will also assist this evaluation.</p>	<p>DMH is reviewing the feasibility of the recommendation with DHCS, resulting in a recommendation to DMH executive management. Throughout this evaluation, the County-Claims Payment Process Improvement Task Force will be informed and involved with the evaluation of options for combining the payments systems. Prior to reforms, DMH will establish a clearing account(needs to be statutorily established) and an Accounting System Automation Project (ASAP).</p> <p>The COTS invitation for bid was distributed July 2008. A vendor has been selected and will begin work in November 2008. Full COTS implementation is scheduled for July 1, 2009.</p>	<p>Stan Bajorin, DMH, Deputy Director of Administration and Fiscal Services; Sara Murillo, DMH, Fiscal Policy Chief. Mike Nguyen, DHCS CIO; Irv White, Chief, DHCS Waiver Unit; Dina Kokkos-Gonzales, DHCS.</p>	<p>7/1/2009</p>
	<p><i>(B) DHCS and DMH should jointly develop an automated SGF and FFP rate calculation system. In the interim, password protect all critical documents and retain hard copies.</i></p>	<p>DMH and DHCS CIOs and financial managers continue to evaluate automation for rate calculation.</p>	<p>Password protections will be instituted. Retention of hard copies will be evaluated for business efficiency. DMH and DHCS will evaluate the recommendation about the rate calculation system. DMH will need to implement an Accounting Software solution. Throughout this evaluation, the County-Claims Payment Process Improvement Task Force will be informed and involved with the decisions impacting the rate calculation system.</p> <p>Some of this work may be dependent on the implementation of the COTS system (scheduled for July 1, 2009). This target date will be reassessed as DMH progresses.</p>	<p>Stan Bajorin, DMH, Deputy Director of Administration and Fiscal Services; Denise Blair, DMH, CIO; Mike Nguyen, DHCS CIO; Irv White, Chief, DHCS Waiver Unit; Dina Kokkos-Gonzales, DHCS</p>	<p>07/1/2009</p>

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OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
<p>(continued) OBSERVATION 5: The Current Claims Process is Flawed</p>	<p><i>(B) continued</i></p>		<p>DHCS will review the existing scope of the SD/MC Phase II project and verify whether it covers the ability to calculate State General Fund and FFP rates. If the current scope does not sufficiently address the recommendation, DHCS will analyze the ability to modify the project's scope without significant impact to its timeline or budget. Alternatively, a separate solution will be considered if the potential change to the SD/MC Phase II scope is deemed unacceptable.</p>	<p>Mike Nguyen, DHCS, CIO.</p>	<p>07/01/2009</p>
	<p><i>(C) DMH should eliminate the current "invoicing to DHCS for the FFP due." DHCS should use information from the SD/MC System to identify and draw the appropriate FFP funds. CMS should be consulted prior to developing a new process to ensure that all federal requirements are met.</i></p>	<p>DMH and DHCS both acknowledge that improvements can be made to the current invoicing of FFP. Reforms involving FFP will need guidance and approval by DHCS which is being discussed between DMH and DHCS. Communications with CMS is always an understood consideration by DMH and DHCS when changes to FFP processes are being considered.</p>	<p>DMH has reviewed the current invoice process and is considering ways to develop streamlined procedures. DMH will need a COTS Accounting software solution. Throughout this evaluation, the County-Claims Payment Process Improvement Task Force will be informed and involved with the evaluation of options for eliminating the invoice system for FFP due to the MHPs.</p> <p>Some of this work may be dependent on the implementation of the ASAP accounting system (scheduled for July 1, 2009). This target date will be reassessed as DMH progresses.</p>	<p>Stan Bajorin, DMH, Deputy Director of Administration and Fiscal Services; Sara Murillo, DMH, Fiscal Policy Chief; Irv White, Division Chief, DHCS Waiver Unit; Mike Nguyen, DHCS CIO.</p>	<p>7/1/2009</p>
		<p>DHCS is in agreement with this recommendation to the extent that resources are available to develop and implement a new process. The Waiver Analysis Section has limited resources with high volume daily workload demands. DHCS is also aware that changes in the processes for billing FFP will likely need to include CMS input/approval as a result of CMS' own audits of the SMHSC waiver program.</p>	<p>The DHCS Waiver Analysis Section (WAS) acknowledges that automation of the invoicing process to utilize information directly from the SD/MC system to draw down FFP would likely eliminate a number of inefficient and labor-intensive manual and semi-automatic processes and eliminate on-going errors, omissions and missing documentation which are part of the current invoicing process. Including the invoicing function as either a part of, or a back-end application to, the SD/MC EDS system would also likely result in speeding the timeline for processing payments to the counties and reduce the amount of WAS staff time and costs needed to approve invoices.</p>	<p>Mike Nguyen, DHCS, CIO; Irv White, Chief, DHCS Waiver Unit.</p>	<p>7/1/2009</p>

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OBSERVATIONS	RECOMMENDATIONS	CORRECTIVE ACTIONS TAKEN	CORRECTIVE ACTIONS TO BE TAKEN	RESPONSIBLE PARTY	DATE OF ACTION PLANNED
<p>OBSERVATION 6: Accounting and Reporting Systems Do Not Provide Timely and Accurate Information</p>	<p><i>(A) In conjunction with the development of the COTS, establish subsidiary ledgers for each MHP and program in sufficient detail to permit a timely determination of a given claim's payment status.</i></p>	<p>As of November 2007, DMH has established manual individual county spreadsheets which lists the claim schedules to monitor MHP claim status. The DMH Administration and Fiscal Services Division is conducting a reengineering evaluation of accounting that will map current manual process and identify areas for improvement.</p>	<p>Individual county spreadsheets which lists the claim schedules will be utilized to improve information to Counties about claims payment status. The COTS Accounting software is critical to this action. The Administration and Fiscal Services Division management will keep the County-Claims Processing Improvement Task Force informed of developments or issues related to the manual individual county spreadsheets and its development.</p>	<p>Stan Bajorin, DMH, Administration and Fiscal Services; Sara Murillo, DMH Accounting Officer.</p>	<p>7/1/2009</p>
	<p><i>(B) Monitor appropriation balances to ensure that sufficient SGF and FFP funds will be available for expenditure.</i></p>	<p>As of October 2007, DMH hired a Cash Manager to monitor and report all appropriation balances. The Cash Manager has been developing practices and procedures to improve DMH accounting processes. The DMH Administration and Fiscal Services Division is conducting a reengineering evaluation of accounting that will map current manual process and identify areas for improvement.</p> <p>Already implemented through Cash Management function.</p>	<p>Appropriation Balances will be a topic for discussion during the meetings with the CMHDA and County-Claims Processing Improvement Task Force. The Cash Manager will be involved with this Task Force and inform the Members about developments or issues related to new practices and business improvements.</p> <p>As of March 2008, DMH sends county claims status reports to CMHDA and DHCS weekly.</p> <p>The DMH Cash Manager continues to monitor appropriation balances and is working to develop more timely processes.</p>	<p>Stan Bajorin, DMH, Administration and Fiscal Services; Susan Dingal, DMH, Accounting Office Cash Manager.</p>	<p>4/1/2007 Implemented and Ongoing</p>
	<p><i>(C) Record all disallowed claims, audit findings, cost settlements, overpayments, and other adjustments as accounts receivable. DMH supervisors should review and approve all offsets before they are applied against MHP claims and liquidation of the related receivable.</i></p>	<p>DMH has established an Accounts Receivable Unit to set up an Accounts Receivable process. All accounts receivable will be approved and monitored by DMH. The DMH Administration and Fiscal Services Division is conducting a reengineering evaluation of accounting that will map current manual process and identify areas for improvement.</p> <p>Accounts Receivable Unit establishes all amounts due as an accounts receivable.</p>	<p>The CMHDA and County-Claims Payment Processing Improvement Task Force will be kept advised on the Accounts Receivable Process to evaluate progress and effectiveness.</p>	<p>Stan Bajorin, DMH, Administration and Fiscal Services.</p>	<p>10/1/2008 Implemented and ongoing as of March 2008</p>

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<p>(continued) OBSERVATION 6: Accounting and Reporting Systems Do Not Provide Timely and Accurate Information</p>	<p><i>(D) Establish procedures requiring the prompt identification, collection, and remittance to CMS of any overpaid FFP funds.</i></p>	<p>DMH established an Accounts Receivable process. The DMH Administration and Fiscal Services Division is conducting a reengineering evaluation of accounting that will map current manual process and identify areas for improvement.</p> <p>Already implemented through reengineered A/R and A/P processes.</p>	<p>The Administration and Fiscal Services Division management will keep the County-Claims Processing Improvement Task Force informed of developments or issues related to overpayment of FFP funds and subsequent resolution.</p>	<p>Stan Bajorin, DMH, Administration and Fiscal Services; Sara Murillo, DMH Accounting</p>	<p>7/1/2008 Implemented and Ongoing</p>
	<p><i>(E) In conjunction with development of the Commercial-off-the-Shelf (COTS) and installation of the new SD/MC System, establish an automated and searchable claims tracking function that identifies claims processing times and dates, from receipt through adjudication and payment. In the interim, use control logs to accurately record this information.</i></p>	<p>DMH, DHCS and ADP are working with Trinity Technology to develop system specifications for Short Doyle II. DMH is preparing a proposal FSR for a COTS Accounting Software Solution.</p> <p>DMH has submitted a request for exemption to the moratorium on developing Administrative IT Systems to DOF/CIO.</p>	<p>The Information Technology tools, along with manual re-engineering and enhanced monitoring from a new fiscal Medi-Cal Claims Customer Service Unit will support a review of a better claims tracking solution. As this review develops, DMH and DHCS will share progress and consult with the County-State Claims Payment Processing Improvement Task Force.</p> <p>As of March 2008, DMH sends county claims status reports to CMHDA and DHCS weekly.</p> <p>The COTS invitation for bid was distributed July 2008. A vendor has been selected and will begin work in November 2008. Full COTS implementation is scheduled for July 1, 2009.</p>	<p>Stan Bajorin, DMH, Administration and Fiscal Services; Denise Blair, DMH, CIO; Sara Murillo, DMH Accounting Officer; Mike Nguyen, DHCS CIO; Irv White, Waiver Unit Chief</p>	<p>4/1/2008 Implemented and Ongoing</p>

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<p>OBSERVATION 7: The Risk of FFP Billing Errors Still Exists</p>	<p><i>(A) Eliminate the credit memo process and implement an information technology solution that separates EPSDT claims from Beneficiary Services near the beginning of the claims payment process, and before they are submitted for FFP reimbursement. This solution should include the establishment of a program cost account (PCA) for EPSDT claims.</i></p>	<p>DMH staff has worked with DHCS and as of March 2008 has eliminated credit memos. Every two weeks DMH sponsors a Short Doyle Medi-Cal Claiming Systems Meeting to discuss with counties, claims IT issues. As of March 2008, an interim process was developed in order to streamline the process.</p> <p>The credit memo was eliminated by a joint agreement between DHCS and DMH.</p> <p>DMH has established a PCA for EPSDT (including FFP and SGF). There are now trained staff and established procedures as of March 2008.</p>	<p>The implementation of new SD/MC system in conjunction with the new COTS system will separate EPSDT claims from Beneficiary Services near the beginning of the claims payment process and before they are submitted for FFP reimbursement. This solution will include the establishment of a program cost account (PCA) for EPSDT claims. During the development of COTS and Short Doyle II, the CMHDA IT and Financial Services Committees, along with the Claims Payment Processing Improvement Task Force will be kept informed and encouraged to offer suggestions for improvements.</p>	<p>Stan Bajorin, Administration and Fiscal Services; Susan Dingal, DMH, Accounting Unit; Sara Murillo, DMH, Accounting Officer; Denise Blair, DMH CIO. Mike Nguyen, DMH CIO.</p>	<p>Credit memo eliminated in March 2008, four months ahead of target date.</p> <p>Additional reforms target date: 07/01/2009</p>
		<p>DHCS Waiver Analysis Section (WAS) staff currently has to review and reconcile the EPSDT Credit Memos by comparing them to the Beneficiary Services invoices previously paid, and then certifying the accuracy of the FFP expenditures to be transferred from the Beneficiary Services funding stream to the EPSDT funding stream to pay EPSDT FFP. For WAS this is both an inefficient and laborious process.</p> <p>DMH has established a PCA for EPSDT (including FFP and SGF). There are now trained staff and established procedures as of March 2008.</p>	<p>WAS acknowledges that implementing an information technology solution utilizing table-driven algorithms, and establishing a separate PCA for EPSDT FFP claims, could provide an effective solution to the risk of manually double-billing both EPSDT and Beneficiary Services for the same claims. DHCS provides the EPSDT claiming data to DMH, but DMH would need to fix their system in order to identify EPSDT claims separately from Beneficiary Services and invoice as EPSDT services for FFP reimbursement.</p>	<p>Mike Nguyen, DHCS CIO; Irv White, DHCS; Dina Kokkos-Gonzales, DHCS; Stan Bajorin, Administration and Fiscal Services; Denise Blair, DMH CIO.</p>	<p>Credit memo eliminated in March 2008, four months ahead of target date.</p> <p>Additional reforms target date: 07/01/2009</p>

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<p>OBSERVATION 8: Claims Processing Times Do Not Meet State and Federal Standards</p>	<p><i>(A) Reduce claims processing times to comply with state and federal standards. Observation 5 identifies actions DMH should take to improve claims processing times.</i></p>	<p>DMH conducted an internal review of its claim schedule process to evaluate methods of improvements in the Fall of 2007. For the first time in recent history, DMH documented the Short-Doyle Medi-Cal Claims Process to map out the current system which will aid in this evaluation. As a result, DMH has initiated an Accounting systems improvement project that will re-engineer the manual process currently in place which will also assist this evaluation. This reengineering and Commercial Off-The-Shelf Accounting Software proposals will help to improve the claims processing time and accuracy.</p> <p>COTS was approved by DOF on June 9, 2008. The new Medi-Cal Claims Customer Service Unit (MedCCC) was established in April 2008 with a primary task to assist counties in submitting more timely claims. MedCCC met with Don Kingdon of CMHDA to discuss role of the new unit in relation to CMHDA Finance Committee. Ongoing efforts remain with DHCS and DMH to reduce the claims processing time. For example...on March 6, 2008, DHCS agreed to eliminate the "Credit Memo" process which has caused delays in counties receiving timely FFP payment.</p>	<p>The due date has been changed from 07/01/2008 to 07/01/2009 because Observation 5 corrective actions are essential to successfully processing claims in accordance with state and federal timeliness standards. Corrective actions for Observation 5 are due on 07/01/2008.</p>	<p>Stan Bajorin, Administrative and Fiscal Services;</p>	<p>07/01/2009 Adjusted from 07/01/2008 in July 2008</p>
	<p><i>(B) Establish performance benchmarks for key processing tasks and monitor compliance with those benchmarks.</i></p>	<p>DMH is establishing a benchmark for processing Claim Schedules and FFP invoices as of date of receipt of correct Approved Services Report from DCHS.</p> <p>DMH County Claims Status Report updates counties weekly as to the status of pending Medi-Cal claims thereby allowing counties to approximate when they will receive payments.</p> <p>The DMH Medi-Cal Claims Customer Service Office, since implementation in April 2008, has resolved 330 county questions with an average response time ranging from 1 day to two weeks, depending on the questions/issues. Issues range from questions of "Where is the payment?" to "How do I get an out-of-state claim paid," to "How do I crosswalk Mode and Service," to "How do we submit a Conlan claim," helping to reduce the number of claiming errors. We recently established a MedCCC webpage on which is posted the Medi-Cal Billing Manual, cash status reports, Master Aid Code Chart. In the future, we will have FAQs to assist the counties with billing issues.</p>	<p>MedCCC continues to work with DMH IT in developing reports which display benchmarks from date claim submitted by county to payment by SCO and the other processes in between.</p>	<p>Stan Bajorin, Administrative and Fiscal Services; Irv White, Chief, DHCS Waiver Unit; Dina Kokkos-Gonzales, DHCS.</p>	<p>7/01/2008 Implemented and Ongoing</p>

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<p>OBSERVATION 9: Cost Settlements and Audits Are Not Performed Timely</p>	<p><i>(A) Require MHPs to submit final cost reports by December 31 following the end of the fiscal year. Eliminate the acceptance of amended reports beyond this date and use the December 31 reports as the basis for cost settlement and audit.</i></p>	<p>DMH Local Program and Financial Support in the Administration and Fiscal Services Division (aka Cost Reporting) was successful in collapsing the timeframe for cost reports to be submitted by MHPs by several months for 2006 and achieved similar results in 2007. DMH has been working with MHPs through training and technical assistance to obtain the cost reports by the end of the calendar year. DMH has been discussing methods to reduce the time to settle cost reports with MHPs.</p> <p>Due to legislative hearings and May revise, DMH has postponed the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action will require substantial investment of time, planning, and dialogue with counties, control agencies, and the legislature.</p>	<p>DMH is discussing this recommendation internally to evaluate a more timely cost settlement process. The County-State Claims Processing Payment Improvement Task Force will be consulted about this effort. Currently in development is a Sub Committee to include DMH experts, fiscal, and audit and cost reports experts from San Francisco and Butte Counties.</p> <p>In order to align these efforts with the DMH Medi-Cal Cost Settlement Project, which is evaluating the current cost settlement process, the target date has been extended to June 30, 2009.</p>	<p>Stan Bajorin, DMH Administrative and Fiscal Services; DMH Local Financial Program Cost Reports.</p>	<p>06/30/2009 (Adjusted from original date of 5/1/2008; and 10/01/2008)</p>
	<p><i>(B) Conduct cost report audits within three years of submission of MHP's cost reports.</i></p>	<p>The issue deals with the definition and interpretation of the controlling statute. DMH Program Compliance Division/Audits Branch believes it is currently abiding by the statute by conducting audits of provider cost reports within three years of submission of amended cost reports. The amended cost report date is interpreted by DMH to be the date the provider is notified of the final settlement of its cost report by DMH. This can occur up to 17-20 months after the date of submission of the initial cost report. The initial cost report is submitted to the DMH by the provider six months after the close of the fiscal year.</p> <p>If this recommendation were implemented immediately, DMH would not be able to audit any cost reports submitted more than three years from current date. Therefore, DMH would be precluded from auditing cost reports for 2003-04 because the three year statute period would have expired on December 31, 2007. It should be noted that audits for fiscal year 2003-04 have already begun and the department will started issuing audit reports soon.</p> <p>Due to legislative hearings and May revise, DMH has postponed the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action will require substantial investment of time, planning, and dialogue with counties, control agencies, and the legislature.</p>	<p>Decisions need to be made on controlling statute definition and interpretation. Fiscal will convene meetings with DMH Legal and Program Compliance internally, as well as, key stakeholders to assess the pros and cons of this recommendation.</p> <p>In order to align these efforts with the DMH Medi-Cal Cost Settlement Project, which is evaluating the current cost settlement process, the target date has been extended to June 30, 2009.</p>	<p>Stan Bajorin, DMH Administrative and Fiscal Services; Carolynn Michaels, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief.</p>	<p>06/30/2009 (Adjusted from original date of 5/1/2008; and 10/01/2008)</p>

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<p>(continued) OBSERVATION 9: Cost Settlements and Audits Are Not Performed Timely</p>	<p><i>(B) Continued</i></p>	<p>DMH Audits Branch currently bases its audit on the most accurate and error free cost report submitted by the MHP which is the "Reconciled Cost Report" [which is often referred to as the "finalized cost report"]. The Reconciled Cost Report is usually finalized within 17 months after the submission of the initial Cost Report on December 31. This current position is based on the DMH's interpretation of Welfare and Institution Code (WIC) 14170(a)(2)(A) which concerns audits of cost reports. If the interpretation is based on the due date December 31 of any FY, DMH Audits Branch will need to increase staff beyond its current level in order to achieve this objective. If we rely on the current Audit staffing capacity to both catch up and get to real time [as defined by OSAE], only limited audits of counties and contract providers will be performed. The financial result will be a potential significant loss of federal financial participation (FFP) and state general funds. Please note that overpayment of approximately \$38.0 million and \$9.7 million in the federal funds of FFP and state general funds respectively were identified in the department's audit reports for 2001-02 FY. The average time it takes to train an auditor to a minimum competency level for the performance of mental health complex health care delivery financial audits is about fifteen months.</p> <p>Due to the priority of legislative hearings and May revise, as of May 1, 2008, the target date has been pushed back to October 2008.</p>	<p>Decisions need to be made on controlling statute definition and interpretation. Fiscal will convene meetings with DMH Legal and Program Compliance internally, as well as, key stakeholders to assess the pros and cons of this recommendation.</p> <p>In order to align these efforts with the DMH Medi-Cal Cost Settlement Project, which is evaluating the current cost settlement process, the target date has been extended to June 30, 2009.</p>	<p>Stan Bajorin, DMH Administrative and Fiscal Services; Carolynn Michaels, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief.</p>	<p>06/30/2009 (Adjusted from original date of 5/1/2008; and 10/01/2008)</p>

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<p>(continued) OBSERVATION 9: Cost Settlements and Audits Are Not Performed Timely</p>	<p><i>(C) DMH's Audit Unit should annually complete and document a comprehensive risk analysis of all MHPs as a basis for selecting which cost reports to audit. In the analysis, include all risk factors that are appropriate to effectively plan and execute the audits. Revise the audit plan/program to include a review of MHP's internal monitoring activities.</i></p>	<p>DMH Audits Branch Supervisors currently and routinely perform risk analysis in planning and selecting counties to be audited. This practice has been formalized and is a critical part in the Audit Selection Criteria.</p> <p>Due to legislative hearings and May revise, DMH has postponed the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action will require substantial investment of time, planning, and dialogue with counties, control agencies, and the legislature.</p>	<p>DMH Audit Branch has revisited its risk analysis procedures and incorporated formalized procedures as part of the overall annual Audit Selection Criteria.</p>	<p>Carolynn Michaels, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief</p>	<p>10/1/2008 implemented and ongoing</p>
		<p>The risk analysis as currently practiced by DMH Audits Branch is a part of the preliminary audit plan developed by Audit Supervisors that addresses the important issue of concentrating audit resources in areas that have the most risk of loss of Federal Financial Participation (FFP) and State General Fund.</p> <p>Due to legislative hearings and May revise, DMH has postponed the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action will require substantial investment of time, planning, and dialogue with counties, control agencies, and the legislature.</p>	<p>The revised DMH Audits Branch "Audit Selection Criteria" will include identified risk factors which assist in determining the selection of Counties and Contract Providers to be audited annually.</p> <p>DMH has completed the risk analysis plan. Upon request, DMH will send a copy to OSAE.</p>	<p>Carolynn Michaels, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief.</p>	<p>10/1/2008 implemented and ongoing</p>
		<p>DMH Audits Branch is in the process of expanding the audit plan/program to include a section that will identify steps for reviewing and assessing MHPs Contract Providers Internal Control components.</p> <p>Due to legislative hearings and May revise, DMH has postponed the target date for the corrective actions that will ensure timely cost settlements and audits to October 2008. Through our analysis and management discussions, it has been determined that this corrective action will require substantial investment of time, planning, and dialogue with counties, control agencies, and the legislature.</p>	<p>This Internal Control component of MHPs will be incorporated into DMH Audit Branch program as part of our audit procedures.</p> <p>In order to align these efforts with the DMH Medi-Cal Cost Settlement Project, which is evaluating the current cost settlement process, the target date has been extended to June 30, 2009.</p>	<p>Carolynn Michaels, DMH, Program Compliance; Jim Hill, DMH, Audit Branch Chief.</p>	<p>06/30/2009 (Adjusted from original date of 5/1/2008; and 10/01/2008)</p>