State of New Jersey
Department of Health

CHARITY CARE CLAIMS AUDIT HANDBOOK

Version Dated October 1,2022

MASTER WORK VERSION

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I. Introduction and Start-Up

The audit methodology utilized by the Charity Care Program is based on "Unit Dollar Sampling".

To prepare for the audit, hospitals shall submit Charity Care claims to the Department third party liaison; GAINWELL TECHNOLOGIES, in order to price the claims at the Medicaid rate. GAINWELL TECHNOLOGIES shall prepare periodic audit lists ranking the claims from the lowest to the highest claim charge amount. Also, included is a cumulative total. The list includes the claim charge amount and the Medicaid priced amount. This method remains consistent throughout the year.

Audit List Example:

Account	Amount	Cum. Amount
1	$ 30.00	$ 30.00
2	$ 38.00	$ 68.00
3	$ 38.00	$106.00
4	$ 43.00	$149.00
382	$86,958.21	$5,500,000.00

For the above example, $5,500,000 was used in order to prepare for the next step on the following pages. This amount is called the “Threshold” because any amount over this would result in more than the minimum number of files (75) used in the audit. Also, any amount less than the “Threshold” would result in combining audits.

Either quarters 1 & 2 would be combined or quarters 2 & 3 or quarters 1, 2, & 3 would be combined. Also, quarter 3 would be combined with quarter 4 if quarter 3 alone does not reach the “Threshold”.

All hospitals would have a 4th quarter audit. The minimum number of audits for each hospital per calendar year is 2, one of which is the 4th Quarter Audit.

Added: January 28, 2013

Summary of Changes for Charity Care audit lists:

Current procedure:

Audit lists are generated by GAINWELL TECHNOLOGIES every quarter. The audit lists are calculated and if the sum of the charges does not exceed a threshold of $5.5 million, the hospital does not receive an audit in general for that quarter.

This constraint applies to:

1st quarter alone (will be combined with 2nd qtr)
1st & 2nd quarters combined (will be combined with 3rd qtr)
1st quarter alone and 2nd & 3rd quarters combined
1st & 2nd quarters combined and
3rd & 4th quarters combined
1st quarter alone and 2nd & 3rd quarters combined (Option if the threshold is not reached) OR 2nd, 3rd & 4th combined

All hospitals will receive a Charity Care audit within the first 3 quarters and

All hospitals will receive a 4th quarter audit.

It is also possible that a hospital will receive a 1st quarter audit; a 2nd & 3rd quarters combined audit and a stand-alone 4th quarter audit.

Point of Issue:

During the course of these audits the lists are sent by the Auditors to the hospitals for review. The hospitals respond with "Pre-audit" adjustments for claims which should be removed from the audit list prior to the auditors calculating the Sample and Sub-sample.

If a hospital is NOT receiving an audit for that quarter, the task performed in the current quarter is redundant! The task will be repeated again for those claims in the next quarter; and the next quarter if the first 3 quarters are combined.

Revised Procedure:

Only pertains to hospitals NOT receiving an audit for a particular quarter.
No audit list will be sent to the hospital; only a letter from the auditors stating that no Charity Care audit will take place for this quarter.

The provider numbers for the hospitals not receiving an audit will be sent to our claims processing intermediary who will request a combined audit list in the next quarter.

When a hospital qualifies for an audit, that combined audit list will be sent to the hospital for review.

II. Sample Size Determination

A. From the listing total (shown on previous page) use the cumulative total dollars in the following formula:

$$\frac{\text{Listing Total X 1.5}}{\text{Lower of \$110,000 or 2\% of listing total}} = \text{Number of Files Selected}$$

Using the previous page for example:

$$\frac{\$5,500,000 \text{ X } 1.5}{\$110,000} = \frac{\$8,250,000}{\$110,000} = \underline{\underline{75}} \text{ Files}$$

B. The number of weighted files selected cannot be less than 75.

III. Interval Amount Determination

A. The Interval amount is calculated by the following formula:

$$\frac{\text{Listing Total}}{\text{Number of Files}} = \text{Interval Amount}$$

$$\frac{\$5{,}500{,}000}{\underset{\text{(From IIA)}}{75}} = \underline{\underline{\$73{,}333}}$$

IV. The Random Start Point to Select the Samples

A. Random Start Point Calculation

The Excel formula reads as follows: (Example)
(The formula below is a "nested" if statement)
where X = Interval Amount
and Y = Rand (This is a built-in Excel formula that generates a random number between the values of -0- and 1 from the random number table initiated by the computer clock)

```
=IF(X<1000,(Y)*(X),IF((((Y)*(X))+0.5)<1000,
        ROUND(((((Y)*(X))+0.5)*10),0),ROUND((((Y)*(X))+0.5),0)))
```

The translation of the above formula is as follows:

If the Interval Amount is less than $1,000, multiply Rand * Interval Amount ; Otherwise, if the Interval Amount is greater than or equal to $1,000, Multiply Rand * Interval Amount + .5 If Rand * Interval Amount + .5 < $1,000, round (Rand * Interval Amount + .5) * 10 to zero decimal points.

Otherwise: If Interval is greater than or equal to $1,000 AND Rand * Interval Amount + .5 is greater than or equal to $1,000, round (Rand * Interval Amount + .5) to zero decimal points.

V. Sample Selection

A. Using the Random Start Point at the beginning of the listing select files for the Sample. At each Interval in the cumulative listing choose that file.

B. Files with 2 or more Interval amounts

1. If an account is large enough, the Interval amount may stay in that account for more than 1 Interval. For example, if an Interval amount is $11,000 and the account is $15,000 the Interval **might** stay in the account 2 times. This account would then be assigned 2 weights, which means that it counts for 2 Sample files.

2. Another example is: If the Interval amount is $11,000 and the account is $60,000, the weight could be 5 or 6 depending on where the first Interval falls.

VI. Sub-Sample Selection

A. Starting with the first sample, counting by the weights, select every 3rd Sample (weight) to the end of Sample list.

B. Some samples may count twice or more depending on the weighted value.

1. For example: Counting along in the 1 weight accounts you reach a 2 weight and another 2 weight...etc.

File	Sample Weight	Sub-Sample Count	Audit
1	1	1	No (1st File)
2	1	2	No
3	1	***3***	Yes
4	1	1	No
5	1	2	No
6	2	***3***,1	Yes
7	2	2,***3***	Yes
8	2	1,2	No
9	2	***3***,1	Yes
10	3	2,***3***,1	Yes
11	3	2,***3***,1	Yes
12	4	2,***3***,1,2	Yes
* 13	4	***3***,1,2,***3***	Yes (Twice!)

* In other words, file #13 counts as 2 Sub-Samples!

C. The Sub-Sample is also known as the

"Weighted Sample Dollars"

VII. Audit Files Retrieval Schedule

Audit files need to be made available to the auditors by the beginning of a scheduled audit. The auditors shall provide the hospital with the audit Sample list prior to the scheduled audit.

A. In advance of scheduled audit

Number of files to be retrieved	Time to retrieve
1 to 500 files	One week
501 to 1100 files	Two weeks
1101 to 1800 files	Three weeks
1801 files and above	Four weeks

B. On-Site No Prior Notice Files

Number to Retrieve	Time to retrieve
Less than 101 files	Two hours for every 25 files
Greater than 100 files	One day for every 100 files

VIII. Alternative Documentation Calculations and Adjustment

A. Any hospital with **<u>more</u>** than 10 % Alternative Documentation (Cumulative for the year) shall have their listing total adjusted by the percentage ABOVE 10 %.

1. The hospital shall submit their listing total.

2. The listing total shall be adjusted for accuracy and other adjustments.

3. The adjusted listing total shall then generate the audit Sample and Sub-sample.

4. If there is more than a 10% failure rate at the Sub-sample level, the auditor shall expand the audit to the Sample.

5. For this section, there is a 10% allowance of Alternative Documentation files for the audit year. If the final tally (Cumulative for the year) of Weighted Sample dollars is greater than 10%, the percentage above 10% is deducted as the penalty.

   (a). Example: Using VI,B,1 above

   An account valued at $60,000 that has a sample weight of 4 and a sub-sample weight of 2. (This is a possibility, it could also have a sample weight of 5 and a sub-sample weight of 1) However, using the 4 & 2 scenario, the Alternative Documentation Rate would be 4 %. (2/50) (Assuming no other sub-samples fail)

6. All Alternative Documentation adjustments shall be made against the adjusted listing total at the "Charge" amount.

7. The adjustments are in "Charge Dollars" based on the "Weighted" percentage as calculated above.

B. Alternative Documentation Calculation

Example:

Listing total submitted by hospital	$4,000,000
Adjustments (Various)	1,000,000
Adjusted listing total	$3,000,000
Weighted sample dollars with Alternative Documentation	8
Total weighted sample dollars	50
Alternative Documentation Percentage	16.0%

C. Alternative Documentation Adjustment

Alternative Documentation percentage	16.0%
Alternative Documentation **allowance**	10.0%
Alternative Documentation Adjustment	6.0%
1. Adjusted listing total	$3,000,000
Multiplied by Alternative Documentation Adjustment	6.0%
Alternative documentation dollar adjustment	180,000
Adjusted listing total	$3,000,000
Alternative documentation dollar adjustment	-180,000
Allowable listing total(See Note)	$2,820,000

Note: This amount represents the allowable audited total from calculations. The amount does not reflect any potential adjustments which may result see IX or X on the following pages.

IX. Audit Compliance Failures Calculations and Adjustment

A. Any hospital with a 10 % Audit Compliance Failure Rate (Cumulative for the year) shall have their listing total adjusted by the entire percentage.

For this section, there is no allowance of 10% or any other adjustment for the Audit Compliance Failure Rate.

1. The hospital shall submit their listing total.

2. The listing total shall be adjusted for accuracy and other adjustments.

3. The adjusted listing total shall then generate the audit Sample and Sub-sample.

4. If there is a 10% failure rate at the Sub-sample level, the auditor shall expand the audit to the Sample.

5. Again, for this section, **there is no 10% allowance** for the Audit Compliance Failure rate for the audit year. If the final tally (Cumulative for the year) of Weighted Sample dollars is 10% or more the **entire percentage** is deducted as the penalty.

   (a). Example: Using VI,B,1 above
   An account valued at $60,000 has a sample weight of 4 and a sub-sample weight of 2.(A possibility, it could also have a sample weight of 5 and a sub-sample weight of 1) However, using the 4 & 2 scenario, the Audit Compliance Failure Rate = 4 %. (2/50)(If no other sub-samples fail)

6. Audit Compliance Failure rate calculations shall be made against the adjusted listing total at the “Charge” amount.

7. The adjustments are in "Charge Dollars" based on the “Weighted” percentage as calculated above.

B. Audit Compliance Failure Rate Adjustment Examples

1. Example #1

Failed Weighted Sample Dollars	3
Total Weighted Sample Dollars	50
Audit Compliance Failure Rate	6 %

The 6% failure rate determines that NO adjustment would be applied against the allowable listing total.

2. Example #2

Failed Weighted Sample Dollars	5
Total Weighted Sample Dollars	50
Audit Compliance Failure Rate	10 %

Since the Audit Compliance Failure Rate equals 10% or more, the audit shall be expanded to the entire sample. (See IX,A,4 above)

The 10% failure rate from example #2, would be applied against the allowable listing total at the “Charge Amount”. (See IX,A,5)

3. Example #3

Failed Weighted Sample Dollars	24
Total Weighted Sample Dollars	150
Audit Compliance Failure Rate	16 %

Since the Audit Compliance Failure Rate equals 10% or more, the audit shall be expanded to the entire sample.(See IX,A,4)

The 16% failure rate from example #3, would be applied against the allowable listing total at the “Charge Amount” (see IX,A,5).

C. Audit Compliance Adjustment

Allowable listing total Charges (VIII,B above)	$3,000,000
Audit Compliance Failure Rate (Using example #3 from above)	16 %
Audit Compliance Adjustment	$ 480,000
Allowable listing total: (Amount after Alternative Documentation adjustment (VIII,C,1)	$2,820,000
Less: Audit Compliance Adjustment	$ -480,000
Allowable listing total @Charges (See Note)	$2,340,000

Note: This amount represents the allowable audited total at this stage of calculations. The amount does not reflect any potential adjustments which may result from section X which is described on the next page.

X. Best Efforts Emergency Room Documentation

A. Any hospital with **<u>more</u>** than 10% Best Efforts Emergency Room Documentation (Cumulative for the year) shall have their listing total adjusted by the entire percentage.

For this section, there is no allowance of 10% or any other adjustment to the Best Efforts Emergency Room Documentation.

1. The hospital shall submit their listing total.

2. The listing total shall be adjusted for accuracy and other adjustments.

3. The adjusted listing total shall then generate the audit Sample and Sub-sample.

4. If there is more than a 10% failure rate at the Sub-sample level, the auditor shall expand the audit to the Sample.

5. Again, for this section, **there is no 10% allowance** of Best Efforts Emergency Room Documentation. If the final tally (Cumulative for the year) of Weighted Sample dollars is more than 10%, the **entire percentage** is deducted as the penalty.

   (a). Example: Using VI,B,1 above

   An account valued at $60,000 that has a sample weight of 4 and a sub-sample weight of 2. (This is a possibility, it could also have a sample weight of 5 and a sub-sample weight of 1) However, using the 4 & 2 scenario, the Best Efforts Emergency Room Documentation Rate would be 4 %. (2/50) (Assuming no other sub-samples fail)

6. All Best Efforts Emergency Room Documentation adjustments shall be made against the adjusted listing total at "Charge Amounts."

7. The adjustments are in "Charge Dollars" based on the "Weighted" percentage as calculated above.

B. Best Efforts Emergency Room Adjustment Examples

1. Example #1

Best Efforts Weighted Sample Dollars	2
Total Weighted Sample Dollars	50
Best Efforts Rate	4 %

The 4% rate determines that NO adjustment would be applied against the allowable listing total.

2. Example #2

Best Efforts Weighted Sample Dollars	5
Total Weighted Sample Dollars	50
Best Efforts Rate	10 %

Since the Best Efforts Rate equals 10% or more, the audit shall be expanded to the entire sample. (See X,A,4 above)

The 10% rate from example #2, would be applied against the allowable listing total at the "Charge Amount". (See X,A,5).

C. The calculation for the Best Efforts Emergency Room adjustment is as follows:

Allowable listing total at "Charges." (VIII,B above)	$3,000,000
Best Efforts Rate (Using example #2from above)	10%
Audited Failed Rate Adjustment	$ 300,000
Allowable listing total at the Charges (Amount after Alternative Documentation Adjustment and Audit Compliance Adjustment. (IX,C)	$2,340,000
Less: Best Efforts Rate Adjustment.	$ 300,000
Allowable listing total @Charges (See Note)	$2,040,000

Note: This amount represents the allowable Audited total for the audit year at the "Claim Charge" Amount.