

Medicaid DSH audit checklist

10 tips for a successful Medicaid DSH audit

If your hospital receives Medicaid Disproportionate Share Hospital (DSH) payments, the annual DSH audit can be daunting. Since there are potentially significant financial implications, it's imperative that you understand the requirements and that you complete the audit promptly and accurately. This checklist will help guide you through an effective and accurate audit.

Medicaid DSH audit tips for success

- ☐ **Allow enough time to complete the audit.** A considerable amount of time and effort is needed to collect, reconcile, and summarize the internal claims data and to enter the information into the required schedules. The time needed will depend on your organization's available resources and the complexity of the IT and financial systems. Typically, this process takes one to two weeks to complete, sometimes longer. Creating the patient data support files themselves is arguably the most time-consuming aspect of the process.
- ☐ **Review the minimum federal requirements for DSH payment eligibility** and document your organization's qualifications. To receive DSH payments, hospitals must have a Low-Income Inpatient Utilization Rate (LIUR) greater than 25 percent or the hospital must have a Medicaid Inpatient Utilization Rate (MIUR) that is at least one standard deviation above the mean rate of all hospitals in the state that receive Medicaid payments. States may distribute DSH payments to other hospitals provided they have a MIUR of at least one percent, and if they offer obstetric services that they have at least two OB/GYN physicians on staff.
- ☐ **Take time to understand how DSH payments are calculated in your state** and if any recent state Medicaid plan changes may affect your organization's eligibility and the amount of qualifying payments.
- ☐ **Carefully review any audit instructions provided**, paying particular attention to types of claims, service dates, and required supporting information.
- ☐ **Gather all the data files needed for completion of the DSH audit** before diving in, including the cost report(s) for the period under audit, patient data support files that support the Medicaid and uninsured populations, and audited hospital financial statements (if applicable).

- ☐ **Reconcile the state claims data.** If the state claims data is used by the state Medicaid agency or its contractor to complete a portion of the audit, we strongly recommend a reconciliation of the state claims data to internal records to help ensure all eligible claims, inpatient days, and charges are included.
- ☐ **Identify and capture all Medicaid and uninsured patients.** When completing schedules, hospitals should ensure they are identifying and capturing all Medicaid and uninsured patients, and accurately report the charges and payments for these patients for the DSH audit. Certain data elements are required, including patient demographic data, hospital charge, and payment information.
- ☐ **Review insured patients' claims with no insurance payment.** For uninsured patient charge capture, hospitals may benefit from reviewing insured patients' claims with no insurance payment. Some claims, meeting state Medicaid plan coverage requirements, could be included as "uninsured" if they meet one of the three exclusion requirements:
 1. The service was not covered by insurance, but is covered by a Medicaid state plan;
 2. The patient's benefits were exhausted prior to the admission/service date; or
 3. The patient reached the lifetime insurance limit.
- ☐ **Review your work prior to submission.** Many states will provide a checklist with the audit package to ensure all data elements have been included with the submission. Even if you have resources to complete the audit, consider arranging for a third-party review of the DSH audit and other submission items to help ensure the accuracy and completeness of the data.
- ☐ **Schedule time to review audit adjustments.** The Medicaid state agency or its contractor will likely provide an adjustment report for your review. Plan your time for review of the audit adjustments, as the window for response or amendments may be very narrow. Take note of the adjustments, especially the high dollar ones, and either confirm they are accurate or make revisions as necessary. This is another opportunity to bring in an advisor for a second review.

If you have any questions about or during the DSH reporting process, please don't hesitate to reach out to Andrew Berube and Olga Gross-Balzano at BerryDunn. We'd be pleased to serve as a second set of eyes to your process or to alleviate the time requirements on your finance team.

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wherever you are based, we look forward to working together.

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