

114.1 CMR: DIVISION OF HEALTH CARE FINANCE AND POLICY  
HOSPITALS AND CLINICS

114.1 CMR 2.00: PROCEDURE FOR PROCESSING BLUE CROSS AUDITS AND FINAL SETTLEMENTS FOR NON-ACUTE HOSPITALS

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2.01: General Provisions

- (1) Scope and Effective Date. 114.1 CMR 2.00 governs the procedure effective July 1, 1997 for approving audits and Blue Cross Final Settlements for non-acute hospitals under M.G.L. c. 176A.
- (2) Authority. 114.1 CMR 2.00 is adopted pursuant to M.G.L. c. 118G and M.G.L. c. 176A.

2.02: Definitions

As used in 114.1 CMR 2.00, unless the context otherwise requires, the following words shall have the following meanings:

Blue Cross. The non-profit hospital service corporation organized under M.G.L. c. 176A for the purpose of establishing, maintaining and operating a non-profit hospital service plan.

Cost and Charge Summary. The amount of fiscal year Blue Cross reimbursable costs and charges as determined by the Division after audit of the hospital's DHCFP-403 cost report.

Desk Audit. A comprehensive audit performed at the Division's offices in which the auditor evaluates the accuracy of the information contained in the DHCFP-403 cost report and supporting documentation in accordance with an audit program.

Division. The Division of Health Care Finance and Policy established under M.G.L. c. 118G.

Exit Conference. A conference conducted at the close of an on-site Field Audit at which Division auditors present audit findings and recommendations to the hospital and the hospital is given the opportunity to respond to the Division's findings and present additional information for review.

Field Audit. An audit performed on-site at the hospital in which the auditor evaluates the accuracy of the information in the DHCFP-403 cost report by examining the books and records of the hospital and evaluating internal controls, observing the physical plant, and interviewing hospital staff.

Non-Acute Hospital. A hospital defined and licensed under M.G.L. c. 111, § 51, with less than majority of medical-surgical, pediatric, maternity and obstetric beds, or any psychiatric facility licensed under M.G.L. c. 19, § 19, or any public health care facility.

2.03: Determination of Approved Cost and Charge Summary

- (1) General. The Division shall perform an audit of the hospital's DHCFP-403 to insure that reported costs are reimbursable pursuant to the hospital's contract with Blue Cross. The audit results in the approved Cost and Charge Summary.
  - (a) The hospital must maintain complete documentation of all financial transactions including but not limited to, books, invoices, bank statements and any other records necessary to document the costs reported in the cost report. The Division may require the hospital to submit additional data and documentation it deems necessary during an audit.

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(b) The Division may perform a desk or field audit. If the Division performs a field audit, it will conduct an exit conference after review of the hospital's books and records. At the exit conference, it will notify the hospital of the proposed audit adjustments which the auditors recommend after the field work has been completed. The hospital may respond to the Division's adjustments and submit additional documentation within ten days.

(2) Processing of Audit Adjustments.

(a) Notification. Upon completion of the audit, the Division will send the hospital a schedule of the proposed audit adjustments and the basis of each adjustment for review.

(b) Objection Process.

1. The hospital may object to a proposed adjustment in writing within ten business days after the mailing of the notification letter. The hospital's written objection must, at a minimum, contain:

- a. Each adjustment to which the hospital objects;
- b. The specific reason for the objection; and
- c. All documentation which supports the hospital's position.

2. Upon review of the hospital's objections, the Division shall notify the hospital of its determination in writing. If the Division disagrees with the hospital's objections, in whole or in part, the Division shall provide the hospital with a written explanation of its reasoning.

3. The hospital may request a conference on objections after receiving the Division's explanation of reasons. The Division will schedule such conference on objections only when it determines that further articulation of the hospital's position may lead to the resolution of the disputed adjustments.

(3) Cost and Charge Summary Approval.

(a) Action by the Division. When the Division's review is completed, the Cost and Charge Summary will be placed on the schedule of the next Division business meeting for action by the Commissioner.

(b) Notification. The Division will send the approved Cost and Charge Summary and its ruling on objections, if any, to the hospital and to Blue Cross.

(c) Filing. The Division will file the approved Cost and Charge Summary audit with the Secretary of the Commonwealth.

2.04: Blue Cross Final Settlements

(1) General. Upon receipt of the Division's approved Cost and Charge Summary, Blue Cross calculates a Final Settlement for each hospital for each fiscal year. The Final Settlement is the difference between the amount Blue Cross owes the hospital based upon the Approved Cost and Charge Summary and the amount Blue Cross paid to the hospital for services during that fiscal year. Blue Cross sends the Final Settlement calculation to the Division for review and approval.

(2) Processing of Final Settlements.

(a) Notification. The Division will send the hospital the calculation of the Blue Cross Final Settlement.

(b) Objection Process.

1. The hospital may object to the Final Settlement calculation in writing within ten business days after the mailing of the notification letter. The hospital may object only to Blue Cross charge information or to a clerical, mechanical or technical error. The hospital's written objection must, at a minimum, contain:

- a. Each item to which the hospital objects;
- b. The specific reason for the objection; and
- c. All documentation which supports the hospital's position.

2. Upon review of the hospital's objections, the Division shall notify the hospital of its determination in writing. If the Division disagrees with the hospital's objections, in whole or in part, the Division shall provide the hospital with a written explanation of its reasoning.

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3. The hospital may request a conference on objections after receiving the Division's explanation of reasons. The Division will schedule such conference on objections only when it determines that further articulation of the hospital's position may lead to the resolution of the disputed adjustments.

(3) Final Settlement Approval.

(a) Action by the Division. When the Division's review is completed, the Final Settlement will be placed on the schedule of the next Division business meeting for action by the Commissioner.

(b) Notification. The Division will send the approved Final Settlement and its ruling on objections, if any, to the hospital and to Blue Cross.

(c) Filing. The Division will file the approved Final Settlement in its office as a public record and file a copy with the Secretary of the Commonwealth. The Division will notify the hospital and Blue Cross of the filing.

2.05: Appeals

(1) Time Limit. The hospital and Blue Cross may appeal the action of the Division within 20 days after the Division notifies the hospital and Blue Cross that it has filed the approved Final Settlement in its office as a public record.

(2) Appeal Procedure. A hospital or Blue Cross may file an appeal by:

(a) filing a petition with the Division of Administrative Law Appeals if the amount subject to appeal is less than one hundred thousand dollars, or

(b) filing in the Supreme Judicial Court for a review of the Division's action.

REGULATORY AUTHORITY

114.1 CMR 2.00: M.G.L. c. 118G; c. 176A, § 5.

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