LEGISLATIVE AUDIT COMMITTEE

June 6 & 7, 2011
MINUTES

A meeting of the Legislative Audit Committee convened at 9:54 a.m. in the Audit Hearing Room, Legislative Services Building. Chair Lois Tochtrop called the meeting to order with the following members present:

MEMBERS: Senator Carroll, Representative Gardner, Representative Kerr, Representative Miklosi, Senator Renfroe

EXCUSED: Representative Acree, Senator King

STAFF PRESENT: Dianne Ray, Acting State Auditor; Monica Bowers, Kerri Hunter, Jonathan Trull, Deputy State Auditors; Greg Fugate, Andrew Knauer, Crystal Dorsey, Vickie Heller, Marisa Neff; other staff members were present

ALSO PRESENT: Joscelyn Gay, Kenneth Cole, Department of Human Services; Dr. Keith LaGrenade, Fort Logan Mental Health; Donna Strugar-Fritsch, Health Management Associates, Inc.; Blair Richardson, Pinnacol Assurance Board of Directors; Ken Ross, Jeff Tetrick, Pinnacol Assurance; Matt Darden, Diane Craanen, Deloitte & Touche, LLP; Laurel Karabatsos, Jenny Nickerson, Sean-Casey King, Antoinette Taranto, Donna Kellow, Bob Douglas, Lois Jacobs, Department of Health Care Policy and Financing; David McDermott, Bob Jaros, State Controller’s Office; Kristin Russell, Travis Schack, Governor’s Office of Information Technology
June 6, 2011

10:00 a.m.  PSYCHIATRIC MEDICATION PRACTICES FOR ADULT CIVIL PATIENTS, COLORADO MENTAL HEALTH INSTITUTES, DEPARTMENT OF HUMAN SERVICES, PERFORMANCE AUDIT, MAY 2011

Department of Human Services
Joselyn Gay, Deputy Executive Director
Kenneth Cole, Mental Health Institute Division Director

Office of the State Auditor
Dianne E. Ray, Acting State Auditor
Monica Bowers, Deputy State Auditor
Greg Fugate, Managing Legislative Auditor
Andrew Knauer, Legislative Auditor

Health Management Associates, Inc.
Donna Strugar-Fritsch, Project Director

A motion was made by Senator Carroll and seconded by Representative Kerr to release the Psychiatric Medication Practices for Adult Civil Patients performance audit. Motion passed unanimously.

Following introductions and opening comments, Greg Fugate clarified that the revenue was the total revenue amount for Colorado Mental Health Institutes at Fort Logan and Pueblo in a response to a question from Senator Renfroe.

In response to a question from Representative Gardner, Ken Cole explained the reasoning behind transferring patients from Community Mental Health Centers to the Institutes at Fort Logan and Pueblo. Mr. Cole agreed to provide the Committee with data showing the Institutes' average length of stay data in comparison with some other peer facilities.

10:20 a.m.  Recommendations 1 and 2 were reviewed, discussed, and agreed to by the Department of Human Services (Department). Mr. Cole stated that standardized policies and procedures will be developed to address the clinical use of emergency and involuntary medication orders for use by both Institutes at Fort Logan and Pueblo.

Joselyn Gay confirmed that the Department is in the process of a rule revision for all programs, including a review of rules governing emergency and involuntary medications.

In a response to a question from Senator Tochtrop, Mr. Cole stated that patients placed on a 72 hour hold are not placed on a separate ward but are placed appropriately based on patient population.
Recommendation 3 was reviewed, discussed, and agreed to by the Department. Mr. Cole stated that this Recommendation has been implemented at Pueblo Mental Health.

10:36 a.m. In response to questions from Representative Kerr and Senator Carroll, Dr. Keith LaGrenade, Hospital Director at Fort Logan Mental Health, explained how medical records are used in the coordination of care and for monitoring medications being administered to patients. Dr. LaGrenade further clarified coordination of care efforts in response to additional questions from Senator Carroll.

In response to a question from Senator Renfroe, Dr. LaGrenade explained that there is a synthetic component found in medical marijuana that has been used to stabilize patients, but medical marijuana has not been used.

10:51 a.m. Recommendations 4 and 5 were reviewed, discussed, and agreed to by the Department. In response to a question from Representative Kerr, Mr. Fugate agreed to provide to the Committee information on the number of episodes of care that factored into the Institutes' average medication error rates in CY2010.

Recommendations 6 and 7 were reviewed, discussed, and agreed to by the Department. In response to a comment from Representative Kerr, Ms. Gay expressed interest in receiving assistance from industry specialists to review options for electronic health record systems.

11:15 a.m. At the request of Acting State Auditor Ray, Mr. Cole commented on the billing procedure used for the patient population not covered by Medicaid. In response to a question from Senator Tochtrop, Ms. Gay explained that there is not currently an initiative to modify legislation to address this issue.

Recommendation 8 was reviewed, discussed, and agreed to by the Department. In response to a question from Representative Gardner, Mr. Cole stated that the cost to implement a new pharmacy system would start at approximately $250,000 upward. He further stated that they have not priced a new electronic record system but estimates the cost would start at a minimum of one-million dollars.

11:24 a.m. Committee recessed.

1:05 p.m. Committee came back to order.
PINNACOL ASSURANCE
COMMENTS ON INTERNAL CONTROLS AND
PROCEDURES AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2010

Pinnacol Assurance
Blair Richardson, Board Chairman
Ken Ross, President and CEO
Jeff Tetrck, Chief Financial Officer

Office of the State Auditor
Dianne E. Ray, Acting State Auditor
Kerri Hunter, Deputy State Auditor
Crystal Dorsey, Managing Legislative Auditor

Deloitte & Touche, LLP
Matt Darden, Partner
Diane Craanen, Senior Manager

A motion was made by Representative Kerr and seconded by Representative Gardner to release the report on Pinnacol Assurance, Comments on Internal Controls and Procedures. Motion passed unanimously.

Following introductions and opening comments, Ken Ross stated that Pinnacol Assurance (Pinnacol) agrees with Recommendation 1 and that it will be fully implemented by June 30, 2011.

Recommendation 2 was reviewed, discussed, and agreed to by Pinnacol. In response to a question from Representative Gardner, Jeff Tetrck stated that significant progress has already been made and Recommendation 2 should be fully implemented by December 2011.

In response to a question from Senator Carroll, Mr. Tetrck stated that the variance between amounts in the Workers Compensation Information System (WCIS) and the data uploaded through the Financial Transaction Reporting System (FTRS) to the general ledger first appeared in the mid-1990’s and should be corrected by the end of 2011.

1:18 p.m. Representative Miklosi arrived at the meeting.

Recommendation 3 was reviewed, discussed, and agreed to by Pinnacol. Mr. Tetrck stated that this Recommendation was fully implemented in March 2011.

Recommendation 4 was reviewed and discussed. Pinnacol disagreed with this recommendation. Mr. Tetrck stated that system tracking of written premium is cost-prohibitive and that Pinnacol does not plan to develop a process to systematically track written premium.

In response to a question from Senator Carroll, Matt Darden stated that the system being used by Pinnacol to track written premium, called the Western Method, is a viable system but that system tracking of written premium would be ideal.
Recommendation 5 was reviewed, discussed, and agreed to by Pinnacol. Mr. Tetrick stated that this Recommendation will be fully implemented in June 2011.

1:28 p.m. Recommendation 6 was reviewed, discussed, and agreed to by Pinnacol. In response to a question from Senator Renfroe, Mr. Tetrick stated that the current procedure being used to route and document manual check requests to pay claims has not resulted in delay of payment to the claimant. Mr. Ross explained that it is not uncommon for an injured worker to actually pick up the manual check from Pinnacol.

State Auditor Ray stated that the basis for making Recommendation 6 is to ensure a process is in put into place by Pinnacol that will maximize fraud prevention. The current lack of formal procedures surrounding manual check requests increases the chance of fraud occurring since the requestor of the check could also cash it.

Mr. Tetrick stated that Pinnacol will review the documentation requirements associated with the check routing procedures and the record retention policy regarding these procedures by December 2011.

Recommendations 7 and 8 were reviewed, discussed, and agreed to by Pinnacol. In response to a question from Senator Carroll, Mr. Ross stated that Pinnacol is continuing to investigate the possibility of hiring a certified actuary on staff.

In response to a question from Representative Kerr, Mr. Ross stated that the decrease in construction related risks and claims has resulted in a 46% decrease in premium rates over the last 6 years. He further stated that premiums are set by the order of the Commissioner of the Division of Insurance.

In response to a question from Representative Kerr, Mr. Darden explained that there are a variety of actuarial analysis techniques used to determine the amount of reserves needed to protect policy holders.

There was a discussion regarding the issues which resulted in the delay of reporting the financial statements in a timely manner. Mr. Ross further stated Pinnacol’s position on the balances maintained in the surplus and reserve accounts.

1:45 p.m. Senator King arrived at the meeting.

GENERAL BUSINESS

Status Report with Agency Representation

Deputy State Auditor Monica Bowers provided a brief overview of the Pinnacol Assurance performance audit from June 2010. Mr. Tetrick and Mr. Ross stated that all Recommendations from the audit have been implemented.

1:59 p.m. The Committee recessed.

2:02 p.m. The committee came back to order.
Minutes

A motion was made by Representative Miklosi and seconded by Senator King to approve the minutes of March 24, 2011. Motion passed unanimously.

A motion was made by Representative Gardner and seconded by Senator King to approve the minutes of March 29, 2011. Motion passed unanimously.

A motion was made by Senator King and seconded by Representative Gardner to approve the minutes of April 14, 2011. Motion passed unanimously.

Audit Requests

Acting State Auditor Ray reviewed the status of a request from Representative Edward Vigil regarding the Aquaculture Program administered through the Department of Corrections. This audit request will be further discussed with the Committee at the July 2011 hearing.

Other Business

Acting State Auditor Ray reviewed the annual report provided to the Committee by Energy Outreach Colorado in accordance with C.R.S. 40-8.7-110 and C.R.S. 39-29-109 (1.9)(g)(IV). This report provides a summary of its efforts of addressing the Low-Income Energy Assistance Act.

Acting State Auditor Ray provided a brief summary of the legislation carried by the Committee in the 2011 legislative session.

Acting State Auditor Ray and Deputy State Auditor Jonathan Trull recognized staff members who participated on the Governor’s Office of Information Technology, Office of Cyber Security, performance audit that won the National State Auditors Association Excellence in Accountability Award in the large performance audit category.

2:13 p.m. The Committee recessed.

2:16 p.m. The committee came back to order.

Status Report with Agency Representation

Following introductions and a brief overview of the Office of Cyber Security performance audit presented to the Committee in December 2010, Kristin Russell and Travis Schack reviewed the implementation status and progress made by the Governor’s Office of Information Technology (OIT) in implementing recommendations in the audit.

2:32 p.m. In response to a question from Senator King, Mr. Schack clarified industry best practice is to perform monthly vulnerability scans within each agency environment.

In response to a question from Representative Gardner, Ms. Russell explained that all services across the state will be assessed in fiscal year 2012.
2:45 p.m. A motion was made by Representative Kerr and seconded by Representative Gardner that the Legislative Audit Committee go into executive session in accordance with Section 24-6-402 (3) (a) (IV), C.R.S., to discuss specialized details of security arrangements or investigations relating to the penetration/computer security audit where disclosure of the discussions might reveal information that could be used for the purpose of committing a violation of law. Motion passed unanimously.

The Committee went into executive session.

3:02 p.m. The Committee came out of executive session and went into recess.

June 7, 2011

8:56 a.m. IMPLEMENTATION OF THE MEDICAID PEDIATRIC HOSPICE WAIVER, DEPARTMENT OF HEALTH CARE POLICY AND FINANCING, PERFORMANCE AUDIT, MAY 2011

Department of Health Care Policy and Financing
Laurel Karabatsos, Acting Medicaid Director
Jenny Nickerson, Long Term Care Division Director
Sean-Casey King, Fee-for-Service Rates Section Manager

Office of the State Auditor
Dianne E. Ray, Acting State Auditor
Monica Bowers, Deputy State Auditor
Vickie Heller, Legislative Auditor

A motion was made by Representative Kerr and seconded by Senator Carroll to release the Implementation of the Medicaid Pediatric Hospice Waiver performance audit. Motion passed unanimously.

9:15 a.m. Representative Miklosi arrived at the meeting.

9:21 a.m. Following introductions and opening comments, Recommendation 1 was reviewed, discussed, and agreed to by the Department of Health Care Policy and Financing (Department).

In response to a question from Representative Kerr, Vickie Heller verified that the Recommendations made in the audit address the delayed and significant portions of the Pediatric Hospice Waiver Program (the Waiver program) not yet in place as mandated by the General Assembly in 2004.

In response to questions from Senator Carroll and Senator Tochtrop, Laurel Karabatsos and Jenny Nickerson reviewed the process used during the development of the Waiver program.
In response to a question from Senator Renfroe, Ms. Karabatsos agreed to try to collect data on the number of children who might qualify for the Waiver program but are not utilizing the services provided.

9:36 a.m. In response to questions from Senator Tochtrop and Senator King, Ms. Karabatsos reviewed the Department’s outreach efforts and agreed to further investigate additional outreach opportunities.

In response to a comment from Senator King, Ms. Karabatsos stated that there is a need for additional training with the service providers.

10:00 a.m. Recommendations 2, 3, and 4 were reviewed, discussed, and agreed to by the Department. In response to a question from Senator Carroll, Ms. Karabatsos addressed the issue of the rule requiring children enrolled in the Waiver program to receive at least one waiver service every month to maintain enrollment in the program.

Recommendation 5 was reviewed, discussed, and agreed to by the Department.

Representative Kerr requested the Department provide a status update to the Committee on the Waiver program in approximately six months.

Status Report with Agency Representation
10:33 a.m. Following opening remarks, Antoinette Taranto, Eligibility Division Director for the Department of Health Care Policy and Financing (Department), reviewed the submission of a progress update on the Department’s actions regarding recommendations made in the State of Colorado, Single Statewide Audit for the state fiscal year ending June 30, 2010. The recommendations were specific to Medicaid and the Children’s Basic Health Plan (CBHP) eligibility and enrollment systems and processes.

In a response to a question from Senator Tochtrop, Ms. Taranto stated that the Department was awarded a grant from the Colorado Health Foundation to use private sector business process improvement tools in 15 local county departments of human/social services for the purpose of recommending and implementing changes to the current county business processes focused on the timely processing of applications. Statistical results were provided on Mesa County’s successes. Senator Tochtrop requested the results from the other 14 county participants.

In response to a question from Representative Miklosi, Ms. Taranto stated that the grant awarded from the Colorado Health Foundation was approximately $300,000, and that the funding was not federally matched.

10:46 a.m. In response to a question from Senator Tochtrop, Ms. Taranto stated that the Department is investigating the necessity for drafting legislation to allow modification of the state income tax form in order to collect and share information with Medicaid.

In response to a question from Senator Carroll, Ms. Taranto stated that grant funding has provided support needed to implement initiatives for training and process improvement programs but that the continuation of these programs is not solely dependent on grant funding.
General Business with Agency Representation

10:58 a.m. State Controller David McDermott recommended that the portion of the Department of Health Care Policy and Financing that is subject to recovery audits be exempt from State of Colorado recovery audits managed by the Office of the State Controller. Mr. McDermott asked for the approval of the proposed exemption from the Committee.

12:10 p.m. Following detailed discussion of the request, the Committee decided not to vote on the matter and to readdress the issue at the July 2011 Committee hearing after obtaining a legal opinion from Legislative Legal Services.

12:21 p.m. Acting State Auditor Ray requested distribution of unaudited, information only items provided to the Committee at their request.

There being no further business to come before the Committee, the meeting adjourned at 12:23 p.m. The next meeting scheduled is on July 11, 2011 at 10:00 a.m.

Minutes submitted by: Lesa Fisher, Clerk to the Legislative Audit Committee