

STATE OF SOUTH DAKOTA
AUDITEE PREPARED CORRECTIVE ACTION PLANS
For the Fiscal Year Ended June 30, 2018

DEPARTMENT OF SOCIAL SERVICES

Finding No. 2018-004: Inadequate Controls Over the Calculation of Diagnosis Related Group (DRG) Reimbursement Rates

Corrective Action Plan: Recommendation 1: The Department's procedures for calculating the DRG reimbursement rates include detailed steps for completion of the calculations. The Department is in the process of identifying and implementing enhanced procedures and internal controls related to the process of calculation and implementation of DRG reimbursement rates. The enhanced procedures and controls include additional review of detailed DRG calculations as well as quality control review of claims prior to payment to providers. The Department has requested the Bureau of Information and Technology (BIT) to enhance controls related to MMIS (Medicaid Management Information System) programming to ensure DRG calculations and payment accuracy.

The Department is retaining a third-party expert to make recommendations about the process, procedures and controls related to the calculation and implementation of DRG reimbursement rates. The Department is evaluating proposals and anticipate beginning work in state fiscal year 2019.

Recommendation 2: Communication to providers began in mid-2018 and in January 2019 providers were contacted with final overpayment amounts. The final overpayment amounts of \$6,458,476 in total funds (\$3,973,154 in federal funds) differs from the amount above due to claims adjusted after Department of Legislative Audit's review. The Department has begun recovering overpayments and the target date for completing recoveries is June 30, 2019.

Contact Person: Laurie Mikkonen, Chief Financial Officer

Anticipated Completion Date: Recommendation 1: April 1, 2019
Recommendation 2: June 30, 2019