

**WASHINGTON STATE HEALTH CARE AUTHORITY**  
**Olympia, Washington**

Independent Accountant's Report on Applying Agreed-Upon Procedures to  
Validate the Accuracy of Federal Claims Reported on  
the CMS-64 Designated State Health Programs Waiver Form

For the 12-month Periods Ended December 31, 2017 and December 31, 2018



## ***TABLE OF CONTENTS***

■ Independent Accountant's Report .....	1
■ Schedule A - Agreed-Upon Procedures and Summary of Results .....	3



## INDEPENDENT ACCOUNTANT'S REPORT

Office of Audit and Accountability  
Washington State Health Care Authority  
626 8<sup>th</sup> Avenue SE  
Olympia, WA 98501

We have performed the procedures enumerated in Schedule A - Agreed-Upon Procedures and Summary of Results (Schedule A) on the accuracy of the federal claims reported on the Centers for Medicare & Medicaid Services Quarterly Medicaid Statement of Expenditures for the Medicaid Assistance Program (CMS-64) for Designated State Health Programs (DSHP) for the 12-month periods ended December 31, 2017 and December 31, 2018. Washington Healthcare Authority (WA HCA) is responsible for the accuracy of the information reported on the CMS-64.

WA HCA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessing the accuracy of the federal DSHP claims reported on the CMS-64 for the 12-month periods ended December 31, 2017 and December 31, 2018. This report may not be suitable for any other purpose. The procedures performed may not address all of the items of interest to a user of this report and many not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are presented in Schedule A. As agreed, materiality limits were applied as specified within the agreed-upon procedures.

We were engaged by WA HCA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accuracy of the federal DSHP claims reported on the CMS-64 for the 12-month periods ended December 31, 2017 and December 31, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

During the course of this engagement, our procedures were restricted due to the occurrence of environmental limitations resulting from the global pandemic severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), also known as coronavirus disease 2019 (COVID-19). In order to contain the spread of the virus and protect the health and wellbeing of the population, individuals throughout the United States were prohibited from travel for non-essential purposes, were required to work from home office settings, and experienced additional logistical and/or physical circumstances that made it difficult for the participating entities to provide certain documentation necessary to fully respond to our requests.

We are required to be independent of WA HCA and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management of WA HCA and is not intended to be, and should not be, used by anyone other than this specified party.

*Myers and Stauffer LC*

Myers and Stauffer LLC

Austin, TX

July 9, 2020

## Schedule A

### WASHINGTON HEALTH CARE AUTHORITY AGREED-UPON PROCEDURES AND SUMMARY OF RESULTS

#### Procedures:

This engagement is solely to assist WA HCA in assessing compliance with applicable Federal Acquisition Regulation (FAR) and requirements outlined in Washington State Medicaid Transformation Project Special Terms and Conditions (STCs).

For Claimed Expenditures:

1. Obtain the CMS-64 reports for quarter two federal fiscal year 2017 (Q2FFY17) through quarter one federal fiscal year 2019 (Q1FFY19).

**Results:** The CMS-64 reports are submitted on a quarterly basis using the federal fiscal year calendar of October through September. No expenditures were claimed for Q2FFY17; therefore, this report was not provided. We obtained from HCA the CMS-64 reports for Q3FFY17 through Q1FFY19. The reports obtained were for the 12-month demonstration periods ended December 31, 2017 (Demonstration Year [DY] 1) and December 31, 2018 (DY 2).

2. Trace amounts claimed on the Designated State Health Programs (DSHP) waiver form section of the CMS-64 report to WA HCA accounting records. Confirm amounts agree. For instances where variances are noted, inquire with WA HCA as to the cause of the variance and report the variance and cause.
  - a. Ensure the total amounts reported on the DSHP waiver form section of the CMS-64 report for each quarter reconcile to the supporting Agency Financial Reporting System (AFRS) extract of waiver program summary transactions.
  - b. Ensure the supporting AFRS extract of waiver program summary transactions reconcile to the represented AFRS accounting transactions.

**Results:** We traced the amounts claimed on the DSHP waiver form section of the CMS-64 report to WA HCA accounting records and found:

- a. The amounts reported on the DSHP waiver form section of the CMS-64 report for DY 1 through DY 2 reconciled to the supporting AFRS extract of waiver summary transactions with immaterial variances.
  - b. For DY 1, 64 of 64 sampled waiver program summary transactions reconciled to the represented AFRS accounting transactions.
  - c. For DY 2, 55 of 55 waiver program summary transactions reconciled to the represented AFRS accounting transactions.
3. Confirm the amounts claimed do not exceed the DSHP limits, as outlined in section 92 of the STCs of the Medicaid demonstration project. For instances where the amounts claimed exceeded the DSHP limit, inquire with the agency as to the cause of the variance and report the variance and cause.

**Results:** We compared the amounts of claimed expenditures on the DSHP waiver form section of the CMS-64 with the DSHP limits outlined in section 92 of the STCs of the Medical Demonstration project and found the amount claimed did not exceed the established limits.

Period	DSHP Limit	Amount Claimed
DY 1	\$ 240,000,000	\$ 187,318,035
DY 2	\$ 216,000,000	\$ 97,661,330

4. Sort the quarterly AFRS extract of waiver program summary transactions by calendar year and waiver program (Delivery System Reform Incentive Payments, Medicaid Alternative Care, Foundational Community Support, and Tailored Support for Older Adults). Exclude provider incentive payments and select a sample from the remaining expenditures claimed and confirm those expenditures are in support of the transformation waiver.
  - a. Sampling method and criteria will be developed by Myers and Stauffer LC after gaining an understanding of the population. Sampling approach will be reviewed and agreed to by the agency.

**Results:** We sorted the AFRS extract of waiver program summary transactions by calendar year and program, then excluded provider incentive payments, DSHS indirect expenses, and expenses related to the independent assessor's fees. The following sampling plan was reviewed and agreed to by the HCA:

Period	Amount Claimed	Provider Incentive Amounts	DSHS Indirect Amounts	Independent Assessor's Amount	Sample Population	Sample Size
DY 1	\$ 187,318,035	\$ 173,241,807	\$ 197,921	\$ 4,241,099	\$ 9,637,208	64
DY 2	\$ 97,661,330	\$ 77,737,823	\$ 3,113,338	\$ 0	\$16,810,169	55

- DY 1 – Pursuant to the approved sampling plan we selected a sample of 45 HCA expenditures and 19 DSHS expenditures, for a total of 64 claimed expenditures in DY 1. We tested these claimed expenditures and found the claimed expenditures to be in support of the transformation waiver for 61 out of 64 sampled items. We were unable to obtain sufficient supporting documentation for three expenditures in the amount of \$1,374 due to DSHS COVID-19 related resource limitations.
- DY 2 – Pursuant to the approved sampling plan we selected a sample of 25 HCA expenditures and 30 DSHS expenditures, for a total of 55 claimed expenditures in DY 2. We tested these claimed expenditures and found the claimed expenditures to be in support of the transformation waiver for 40 out of 55 sample items. We were unable to obtain sufficient supporting documentation for 15 expenditures in the amount of \$91,818 from HCA and DSHS due to the entity's COVID-19 related resource limitations.

For available DSHP:

1. Obtain the certified public expenditure (CPE) reports of available DSHP costs for calendar year (CY) 2017.
  - a. Calculate the total amount of available DSHP cost for CY 2017 that is supported by the CPE reports of available DSHP costs.

- b. Compare the total amount of supported available DSHP costs to the total claimed for CY 2017 per the CMS-64 reports. Confirm the total amount claimed for CY 2017 does not exceed the amount of identified available DSHP costs.

**Results:** We obtained the CPE reports of available DSHP costs for CY 2017 (DY 1) and found:

- a. The total calculated available DSHP costs for DY 1 is \$197,596,748. This value was computed using the supporting documentation provided by the participating entities, which included expenses HCA removed prior to submitting to CMS. Accordingly, our calculation of available DSHP removed salaries, benefits, or identifiable unallowable expenses in order to determine the total amount of supported available DSHP costs.

DSHP Entity/Program – DY 1	Supported Available DSHP Cost
Washington Student Achievement Council (WSAC)	\$ 1,483,799
Department of Health (DOH)	\$ 14,245,823
Behavioral Health Administration - Mental Health (BHA - MH) & Substance Use Disorder (BHA - SUD)	\$ 109,572,244
Aging and Long-Term Support Administration (AL TSA)	
Developmental disabilities Administration (DDA)	\$ 31,508,691
Health Care Authority - Kidney Program	\$ 2,056,544
City of Tacoma	\$ 2,319,603
Clark County	\$ 873,023
King County	\$ 30,842,563
Kitsap County	\$ 1,560,026
Skagit County	\$ 617,862
Snohomish County	\$ 2,516,570
<b>Total Supported Available DSHP Cost</b>	<b>\$ 197,596,748</b>

- b. Upon comparison of the total amount of supported available DSHP costs to the total claimed for DY 1 per the CMS-64 reports, the DY 1 claimed amount totaling \$187,318,035 does not exceed the identified available DSHP amount of \$197,596,748.

2. Obtain the CPE reports of available DSHP costs completed to date for CY 2018.
  - a. Calculate the total amount of available DSHP costs submitted to date for CY 2018 that is supported by the CPE reports of available DSHP costs.
  - b. Compare the total amount of supported available DSHP costs to the total claimed to date for CY 2018 per the CMS-64 reports. Confirm the total amount claimed to date for CY 2018 does not exceed the amount of identified available DSHP costs.

**Results:** We obtained the CPE reports of available DSHP costs for CY 2018 and found:

- a. The total calculated available DSHP DY 2 costs is \$208,152,541. This value was computed using the supporting documentation provided by the participating entities, which included expenses HCA removed prior to submitting to CMS. Accordingly, our calculation of available DSHP removed salaries, benefits or other identifiable unallowable expenses in order to determine the total amount of supported available DSHP costs.

DSHP Entity/Program – DY 2	Supported Available DSHP Cost
Washington Student Achievement Council (WSAC)	\$ 3,132,521
Developmental Disabilities Administration (DDA)	\$ 12,772,031
Department of Health (DOH)	\$ 9,231,923
Behavioral Health Administration - Mental Health (BHA - MH)	\$ 99,993,173
Behavioral Health Administration – Substance Use Disorder (BHA - SUD)	\$ 23,153,823
Aging and Long Term Support Administration (AL TSA)	\$ 19,496,865
Health Care Authority – Kidney Program	\$ 2,072,494
King County	\$ 32,231,021
Kitsap County	\$ 1,557,736
Skagit County	\$ 411,259
Snohomish County	\$ 4,099,695
<b>Total Supported Available DSHP Cost</b>	<b>\$ 208,152,541</b>

- b. Upon comparison of the total amount of supported available DSHP costs to the total claimed for DY 2 per the CMS-64 reports, the DY 2 claimed amount totaling \$97,661,330 does not exceed the identified available DSHP amount of \$208,152,541.
3. Confirm each calendar year CPE report of available DSHP costs includes the required attestations.

**Results:** We obtained and inspected each calendar year's CPE report of available DSHP costs for the required attestations and found:

**DY 1:** For eight of 13 participating entities reviewed, the required signed monthly attestation was not submitted.

- The below entities did not provide monthly attestation reports or provided attestation reports which included multiple months' of available DSHP.
  - Washington Student Achievement Council (WSAC) – Included expenditures for multiple months on one attestation report. In total for DY 1, WSAC provided seven reports for 12 months of expenditures.
  - Department of Health (DOH) - Included expenditures for multiple months on one attestation report. In total for DY 1, DOH provided seven reports for 12 months of expenditures.
  - Developmental Disabilities Administration (DDA) - Included expenditures for multiple months on one attestation report. In total for DY 1, DDA provided eight reports for 12 months of expenditures.
  - Skagit County - Included expenditures for multiple months on one attestation report. In total for DY 1, Skagit County provided five reports for 12 months of expenditures.
  - Snohomish County - Included expenditures for multiple months on one attestation report. In total for DY 1, Snohomish County provided three reports for 12 months of expenditures.



- The below entity provided attestation reports; however one of the reports was missing the required signature.
  - Kitsap County
- The below entities did not provide monthly attestation reports or provided attestation reports which included multiple months' of available DSHP and provided attestation reports of which one or more were missing the required signatures.
  - Aging and Long Term Support Administration (AL TSA) - Included expenditures for multiple months on one attestation report. In total for DY 1, AL TSA provided eight reports for 12 months of expenditures. Additionally, one of the attestation reports was missing the required signatures.
  - Health Care Authority - Kidney Program - Included expenditures for multiple months on one attestation report. In total for DY 1, HCA provided eight reports for 12 months of expenditures. Additionally, five of the attestation reports were missing the required signatures.

**DY 2:** For two of 11 participating entities reviewed, the required signed monthly attestation was not submitted.

- The below entity provided attestation reports which included multiple months' of available DSHP.
    - Snohomish County - Included expenditures for multiple months on one attestation report. In total for DY 2, Snohomish County provided three reports for 12 months of expenditures.
  - The below entity provided attestation reports that were missing the required signatures, however, the entity provided email approvals for the reports. Email approvals are not considered sufficient as the STCs require a monthly attestation by the responsible entity chief financial officer or designee and the internal HCA DSHP Policy, Roles and Responsibility document requires a signature of the chief financial officer or designee for the submitted monthly attestations.
    - Health Care Authority – Kidney Program
4. Sample available DSHP costs, and confirm the selected DSHP available costs are not an expense type listed as not allowable per the STCs. This may require travel to DSHP entity sites to review documentation.
- a. Sampling method and criteria will be developed by Myers and Stauffer LC after gaining an understanding of the population. Sampling approach will be reviewed and agreed to by WA HCA.

**Results:** We developed the following sampling approach by stratifying the total population of available DSHP program expenses by the participating entities. We performed a risk assessment of the participating entities and selected entities based on their risk ranking and amount of available DSHP expenditures. The total amount of selected available DSHP expenditures was greater than the amount of claimed CPE.

**DY 1:** The sample population of \$188,685,891 was greater than the claimed amount of \$187,318,035. We used auditor judgement to select a sample of 35 available DSHP expenditures, five from each entity of which we list the total sample amount in the table below.

**DY 2:** The sample population of \$200,978,530 was greater than the claimed amount of \$97,661,330. We selected a sample of 35 available DSHP expenditures, five from each entity of which we list the total sample amount below:

DSHP Entity/Programs Selected for Testing	DY 1 Total Supported Available DSHP	Sample Amount	DY 2 Total Supported Available DSHP	Sample Amount
Behavioral Health Administration - Mental Health (BHA - MH)	\$ 88,962,651	\$1,650,020	\$ 99,993,173	\$2,142,154
King County	\$ 30,842,563	\$ 421,646	\$ 32,231,021	\$ 385,468
Behavioral Health Administration - Substance Use Disorder (BHA - SUD)	\$ 20,609,593	\$ 326,890	\$ 23,153,822	\$ 183,588
Aging and Long Term Support Administration (ALTSA)	\$ 20,215,871	\$ 122,048	\$ 19,496,865	\$ 300,965
Department of Health (DOH)	\$ 14,245,823	\$ 189,533	\$ 9,231,923	\$ 267,701
Developmental disabilities Administration (DDA)	\$ 11,292,820	\$ 318,758	\$ 12,772,031	\$ 117,096
Snohomish County	\$ 2,516,570	\$ 188,224	\$ 4,099,695	\$ 119,620
<b>Total Available DSHP Sample Population</b>	<b>\$ 188,685,891</b>	<b>\$3,217,119</b>	<b>\$ 200,978,530</b>	<b>\$3,516,592</b>

- DY 1 testing found two of 35 available DSHP expenditures were attributable to unallowable costs per the STCs. In addition:
  - Eight expenditures could not be supported because the participating entity was unable to provide the information due to COVID-19 resources limitations.
  - For seven of the eight expenditures for which there were limitations, we were able to determine the costs were related to a participating DSHP program; however, we were not able to obtain a valid source document supporting the selected transaction.
  - For one of the eight expenditures for which there were limitations, a valid source document was not provided and we were unable to determine if the expenditure was related to a participating DSHP program or unallowable per the STCs. We did not include the eight undeterminable items in our calculated error rate in the table below.
- DY 2 testing found one of 35 available DSHP expenditures was attributable to unallowable costs per the STCs. In addition:
  - Nine expenditures could not be supported because the participating entity was unable to provide the information due to COVID-19 resource limitations.
  - For six of the nine expenditures for which there were limitations, we found these expenditures were related to a participating DSHP program; however, we were not able to obtain a valid source document supporting the selected transaction.
  - For one of the nine expenditures for which there were limitations, we were not able to obtain a valid source document to determine if the expenditure was unallowable per the STCs or if the expenditure was related to a participating DSHP program.

- For two of the nine expenditures for which there were limitations, we were able to review a valid source document for the expenditure; however, we were not able to determine if the expenditure was unallowable per the STCs or if the expenditure was related to a participating DSHP program. We did not include the nine undeterminable items in our calculated error rate in the below table.

We combined the DY 1 and DY 2 amounts to calculate the ratio of know errors to the amounts tested. For the entities on which we did not perform testing, we created a weighted average error rate, with the weight based on their total supported available DSHP, and found that the total error rate for these entities was zero percent. Our error rates can be found in the table below:

Combined DYs - DSHP Entity/Programs Selected for Testing	Combined Sample Amount	Combined Exception Amounts	Error Rate
Behavioral Health Administration - Mental Health (BHA - MH)	\$ 3,792,174	\$ 59,200	2%
King County**	\$ 807,114	\$ 0	0%
Behavioral Health Administration - Substance Use Disorder (BHA - SUD)**	\$ 512,478	\$ 1,117	0%
Aging and Long Term Support Administration (ALTSA)**	\$ 423,013	\$ 0	0%
Department of Health (DOH)**	\$ 457,235	\$ 0	0%
Developmental disabilities Administration (DDA)**	\$ 435,854	\$ 0	0%
Snohomish County**	\$ 307,844	\$ 0	0%

\*\*The entities with asterisks above were unable to provide complete supporting documentation due to resource limitations and we did not consider these in calculating the error rate.

With respect to DY 1 testing, we applied the error rate to the total available DSHP for all participating entities to calculate the amount of available DSHP adjusted for the rate of known errors in the table below:

DY 1 - DSHP Entity/Programs	Total Supported Available DSHP	Error Rate	Adjusted Available DSHP
Behavioral Health Administration - Mental Health (BHA - MH)	\$ 88,962,651	2%	\$ 87,183,398
King County	\$ 30,842,563	0%	\$ 30,842,563
Behavioral Health Administration - Substance Use Disorder (BHA - SUD)	\$ 20,609,593	0%	\$ 20,609,593
Aging and Long Term Support Administration (ALTSA)	\$ 20,215,871	0%	\$ 20,215,871
Department of Health (DOH)	\$ 14,245,823	0%	\$ 14,245,823
Developmental disabilities Administration (DDA)	\$ 11,292,820	0%	\$ 11,292,820
Snohomish County	\$ 2,516,570	0%	\$ 2,516,570
Washington Student Achievement Council (WSAC)	\$ 1,483,799	0%	\$ 1,483,799

DY 1 - DSHP Entity/Programs	Total Supported Available DSHP	Error Rate	Adjusted Available DSHP
Health Care Authority - Kidney Program	\$ 2,056,544	0%	\$ 2,056,544
City of Tacoma	\$ 2,319,603	0%	\$ 2,319,603
Clark County	\$ 873,023	0%	\$ 873,023
Kitsap County	\$ 1,560,026	0%	\$ 1,560,026
Skagit County	\$ 617,862	0%	\$ 617,862
<b>TOTAL</b>	<b>\$ 197,596,748</b>		<b>\$ 195,817,495</b>

We compared the total amount of the available DSHP costs adjusted for known errors to the total amount claimed for DY 1 per the CMS-64 reports and found the DY 1 claimed amount of \$187,318,035 does not exceed the adjusted available DSHP amount of \$195,817,495.

With respect to DY 2 testing, we applied the error rate to the total available DSHP for all participating entities to calculate the amount of available DSHP adjusted for the rate of known errors in the table below:

DY 2 - DSHP Entity/Programs	Total Supported Available DSHP	Error Rate	Adjusted Available DSHP
Behavioral Health Administration - Mental Health (BHA - MH)	\$ 99,993,173	2%	\$ 97,993,310
King County	\$ 32,231,021	0%	\$ 32,231,021
Behavioral Health Administration - Substance Use Disorder (BHA - SUD)	\$ 23,153,823	0%	\$ 23,153,823
Aging and Long Term Support Administration (ALTSA)	\$ 19,496,865	0%	\$ 19,496,865
Department of Health (DOH)	\$ 9,231,923	0%	\$ 9,231,923
Developmental Disabilities Administration (DDA)**	\$ 12,772,031	0%	\$ 12,772,031
Snohomish County	\$ 4,099,695	0%	\$ 4,099,695
Washington Student Achievement Council (WSAC)	\$ 3,132,521	0%	\$ 3,132,521
Health Care Authority - Kidney Program	\$ 2,072,494	0%	\$ 2,072,494
Kitsap County	\$ 1,557,736	0%	\$ 1,557,736
Skagit County	\$ 411,259	0%	\$ 411,259
<b>TOTAL</b>	<b>\$ 208,152,541</b>		<b>\$ 206,152,678</b>

We compared the total amount of the available DSHP costs adjusted for known errors to the total amount claimed for DY 1 per the CMS-64 reports and found the DY 2 claimed amount of \$97,661,330 does not exceed the adjusted available DSHP amount of \$206,152,678.