

Board of Community Health
Audit Committee Meeting
June 12, 2008

The Board of Community Health Audit Committee met February 14, 2008, at the Department of Community Health, 2 Peachtree Street, N.W., Fifth Floor Overflow Room, Atlanta, Georgia 30303.

Committee members present were Richard Robinson, Chairman, Raymond Riddle and Ross Mason.

DCH Staff available were: Carie Summers, John Hankins, Perry Sims, Rob Finlayson, and Alec Steele.

Mr. Robinson called the meeting to order at 9:00 a.m. The February 14 and March 13, 2008 were UNANIMOUSLY APPROVED.

The Audit Committee Charter was the first agenda item discussed. Members reviewed the Charter individually. A discussion ensued about how the Department procures an independent auditor and the responsibilities of the Audit Committee. The Committee voted unanimously to accept the changes and approve the Audit Charter.

Mr. Robinson called on Carie Summers, Chief Financial Officer, to discuss the next agenda item – Fair Rental Value System: Capital Payments to Nursing Homes. Ms. Summers said House Bill 990, the Appropriations Act for FY 2009, appropriated \$49 million to provide funds outside of the current cost reimbursement rate to convert to a Fair Rental Value (FRV) methodology to reimburse nursing homes for the capital component of their cost. The Department has been using a Dodge Index that is relatively outdated. The FRV system will recognize and reimburse nursing facilities based on their value and replace the Dodge Index system. The FRV system will provide additional funds to improve physical plants and the general condition of nursing facilities across the state; build capacity to provide for the needs of “baby boomers” in Georgia; and update facilities, particularly older ones, to make them more attractive to prospective residents. The idea of this conversion is to determine the rental rate of a nursing home bed based on market value; consequently the funding formula is not directly correlative to cost but considers the building’s age in determining fair rental value.

The two key functions of the FRV model are to 1. use a generally accepted set of construction indices (RSMeans) to convert the costs of renovation projects and bed expansions into factors that effectively reduce the initial age of the facility; and 2. reducing the facility’s initial age reduces the number of depreciable years and the accumulated “FRV Depreciation” and increases the FRV. Ms. Summers

gave a brief overview of the proposed algorithm for determining FRV, the tiered depreciation formula, and a definition of a renovation project.

Ms. Summers said there is a two-step process in disbursing the \$49 million appropriated for conversion to the FRV: convert \$30.3 million immediately and reserve \$5 million for new FY 2009 renovation projects; and use the remaining \$13.9 million for cost report update. A discussion ensued about calculating and allocating reserves. Ms. Summers said there have been discussions about creating a work group with the Georgia Health Care Association and other members of the industry to work through building a model and operational details of the FRV application. Mr. Robinson said his concern centers around making sure the process is a fair and equitable approach to all parties.

Finally, Rob Finlayson, the new DCH Inspector General, introduced himself to the Committee. He briefly described his past experience working to address waste, fraud, abuse and ethical investigations and county law enforcement. Mr. Finlayson said the Inspector General model is a good model for identifying and dealing with waste, fraud and abuse. He said the IG model is structured in away that it has impact after fraud and abuse has occurred, and based on what his staff can identify, they can work with policy staff to make adjustments to help prevent patterns of abuse. Mr. Finlayson assured the Committee that he, as with his predecessor, has an aggressive, law enforcement approach to preventing and detecting fraud and abuse.

Mr. Robinson proposed to the Committee that they meet quarterly, and the Committee would work together on the agenda for the upcoming meeting.

There being no further business, the meeting was adjourned at 10:14 a.m.

CHAIRMAN
Audit Committee