SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM

State Project/Program: RURAL HOSPITAL ASSISTANCE PROGRAM / SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM

U. S. Department of Health and Human Services

Federal Authorization: Section 1820(g)(3) of Social Security Act (42 U.S.C. 1395i-4 (g) (3)), as amended by Section 3129 of the Patient Protection and Affordable Care Act (PPACA)

State Authorization: N/A

N. C. Department of Health and Human Services
Central Administration
Office of Rural Health and Community Care

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N. C. DHHS Confirmation Reports:
SFY 2012 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Boards of Education, Councils of Government, District Health Departments and DHSR Grant Subrecipients will be available by early September at the following web address: http://www.dhhs.state.nc.us/control/. At this site, page down to “Letters/reports/forms for ALL Agencies” and click on “Audit Confirmation Reports (State Fiscal Year 2011-2012)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from the DHHS are found at the same website except select “Non-Governmental Audit Confirmation Reports (State Fiscal Years 2010-2012)”.

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the Supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

I. PROGRAM OBJECTIVES

To help hospitals: (1) pay for costs related to implementation of prospective payment systems (PPS) such as updating chargemasters or providing training in billing and coding, and (2) pay for the costs related to delivery system changes as outlined in the ACA such as value-based purchasing (VBP), accountable care organizations (ACO) and payment bundling.
II. PROGRAM PROCEDURES

The Small Rural Hospital Improvement Grant Program is administered by the NC Department of Health and Human Services, Office of Rural Health and Community Care (ORHCC), 2009 Mail Service Center, Raleigh, NC 27699-2009, (919) 733-2040. Funds are received from the U. S. Department of Health and Human Services.

The program helps rural hospitals that want to provide an innovative mix of services and cut administrative costs while providing basic primary and emergency care. The goal of SHIP-eligible hospitals is to increase the service and quality of health care for rural residents through purchasing hardware or software for quality improvement and performance improvement, educating and training of hospital staff on how to use technology to improve patient outcomes, and continuing implementation of prospective payment systems (PPS).

The ORHCC generates contracts based upon requests submitted by hospitals and other entities involved in the provision of care to rural areas. Field staff from the ORHCC work closely with eligible hospitals and others to determine needs. Needs are presented to the Director of the ORHCC, who makes the final funding decisions.

Once an applicant is selected, a formal contract is prepared by the ORHCC. The contract details contractor obligations, the funding schedule, reporting requirements and audit requirements. The formal contract serves as the notice of grant award.

During the contract year, ORHCC staff provide on-going technical assistance to the contractors. Technical assistance includes on-site visitation and other contacts with the contractors during which program goals are reviewed and evaluated. The primary purpose of the Small Rural Hospital Improvement Grant Program is to provide eligible entities with funds to improve access to care in these communities.

III. COMPLIANCE REQUIREMENTS

A. Activities Allowed or Unallowed

Small Rural Hospital Improvement Grant Program funds may be used to:

- Help rural hospitals identify areas for improvement around medication errors.
- Support hospitals, providers, and communities as they develop and implement rural health networks.
- Develop or enhance quality improvement activities.

B. Allowable Costs/Cost Principles

Services provided by and costs allowable are limited to those activities budgeted by the contractor and approved by the ORHCC.

Compliance Requirement – Funds may be expended only for those items specified in the budget that are generally attached to the contract or may be included in a letter of request attached to the budget.
Suggested Audit Procedure – Review the contractor’s budget as approved by the ORHCC, including subsequent amendments (if any). Determine that funds were expended only for those items budgeted.

C. Cash Management

Funds are paid on a contractual basis. Generally, funds are advanced at the beginning of the contract period. However, some contracts are paid in advance based on a schedule provided within the contract.

E. Eligibility

Hospitals benefitting from these funds are detailed in the Notice of Grant Award.

H. Period of Availability of Federal Funds

All funds must be expended within the contract period specified in the formal notice of grant award.

I. Procurement and Suspension and Debarment

Contractors are not allowed to purchase goods or services in excess of the allowed threshold with Small Rural Hospital Improvement Grant funds.

L. Reporting

Reports of expenditures or audit reports (depending upon the size of the contract) are required in accordance with G.S. 143C-6. Additional reports may be required by the individual contracts to confirm that the funds were spent in accordance with the budgeted expenditures.

N. Special Tests and Provisions

All non-State entities (except those entities subject to the audit and other reporting requirements of the Local Government Commission) that receive, use or expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are subject to the financial reporting requirements of G. S. 143C-6, effective July 1, 2007. These requirements include the submission of a Notarized Conflict of Interest Policy (see G. S. 143C-6-23(b) and a written statement (if applicable) that the entity does not have any overdue tax debts as defined by G. S. 105-243.1 at the federal, State or local level (see G. S. 143-6-23(c). All non-State entities that provide State funding to a non-State entity (except any non-State entity subject to the audit and other reporting requirements of the Local Government Commission) must hold the sub-grantee accountable for the legal and appropriate expenditure of those State grant funds.

Audit Objective – Before receiving and disbursing State funds, determine whether the grantee (1) has adopted a conflict of interest policy and has it on file and (2) whether the grantee has any overdue tax debts at the federal, State or local level.

Suggested Audit Procedures:
1. Ascertain that the grantee has a conflict of interest policy as described above.

2. Check the policy and verify through board minutes that the policy was adopted before the grantee received and disbursed State funds.

3. Verify as to whether or not the grantee has any overdue tax debts at the federal, State or local level by reviewing tax reports filed with the appropriate government agencies and confirming via an inspection of the accounting records that all taxes were paid timely.