Independent Accountant's Report on the Examination of
Program Operations as Related to the
Disproportionate Share Hospital Payments Final Rule for
Medicaid State Plan Rate Year Ending September 30, 2012

State of Oklahoma
Health Care Authority
Oklahoma City, Oklahoma

Prepared by:

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Report
and
Report on DSH Verifications

Independent Accountant's Report

Oklahoma Health Care Authority
Oklahoma City, Oklahoma

We have examined the State of Oklahoma's compliance with Disproportionate Share Hospital (DSH) program requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ending September 30, 2012. The State of Oklahoma is responsible for compliance with federal Medicaid DSH program requirements. Our responsibility is to express an opinion on the State of Oklahoma's compliance with federal Medicaid DSH program requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) based on our examination.

Except as discussed in the Schedule of Data Caveats Relating to the DSH Verifications, we conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA), and the standards applicable to attestation engagements contained in Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, as well as General DSH Audit and Reporting Protocol as required by 42 CFR §455.301 and §455.304(d). Based on these standards, our examination included examining on a test basis, evidence about the State of Oklahoma's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination of the State of Oklahoma's compliance with federal Medicaid DSH requirements.

Our examination was conducted for the purpose of forming an opinion on the State of Oklahoma's compliance with federal Medicaid DSH program requirements listed in the Report on DSH Verifications. The Schedule of Annual Reporting Requirements provided in accordance with 42 CFR §447.299 is presented for purposes of additional analysis and is not a required part of the Report on DSH Verifications. Such information has not been subjected to the procedures applied in the examination of the Report on DSH Verifications, and accordingly, we express no opinion on it.

In our opinion, except for the effect of the items described in the Schedule of Data Caveats Relating to the DSH Verifications, the Report on DSH Verifications presents fairly the State of Oklahoma's compliance with federal Medicaid DSH program requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ending September 30, 2012.

In accordance with GAGAS, we have also issued our report dated December 9, 2015 on our consideration of the State of Oklahoma's internal control over the DSH program for the period

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ended September 30, 2012, as it relates to the six DSH Verifications set forth in 42 CFR §455.301 and §455.304(d). The purpose of the report is to describe the scope of our testing of internal control and the results of testing, and not to provide an opinion on internal control. That report is an integral part of an examination performed in accordance with GAGAS and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Oklahoma Health Care Authority, the State Legislature, hospitals participating in the State DSH program and the Centers for Medicare & Medicaid Services (CMS) and is not intended to be, and should not be, used by anyone other than these specified parties.

Myers and Stauffer LC

Myers and Stauffer LC
December 9, 2015

As required by 42 CFR §455.304(d) the State of Oklahoma must provide an annual independent certified examination report verifying the following items with respect to its disproportionate share hospital (DSH) program.

Verification 1: Each hospital that qualifies for a DSH payment in the State was allowed to retain that payment so that the payment is available to offset its uncompensated care costs for furnishing inpatient hospital and outpatient hospital services during the Medicaid State plan (MSP) rate year to Medicaid eligible individuals and individuals with no source of third party coverage for the services in order to reflect the total amount of claimed DSH expenditures.

Findings: Our examination disclosed that four hospitals did not qualify for a DSH payment. We were unable to determine that the four hospitals met the obstetrician (OB) requirement due to the hospitals not submitting the required documentation. Our examination disclosed that all hospitals that qualified for a DSH payment in Oklahoma were allowed to retain the payment.

Verification 2: DSH payments made to each qualifying hospital comply with the hospital specific DSH payment limit. The DSH payments made in the Medicaid State plan rate year must be measured against the actual uncompensated care cost in that same Medicaid State plan rate year. The actual uncompensated care costs for the Medicaid State plan rate year have been calculated and compared to the DSH payments made. Uncompensated care costs for the Medicaid State plan rate year were calculated in accordance with Federal Register/Vol. 73, No. 245, December 19, 2008 and Federal Register/Vol. 79, No. 232, December 3, 2014.

Findings: Our examination disclosed that four of the 52 hospitals that received a DSH payment did not meet the OB requirement and were not qualified for a DSH payment. As a result, these hospitals exceeded their DSH payment limits. Of the 48 qualified hospitals that received DSH payments, 6 hospitals received DSH payments that exceeded the calculated DSH payment limit based on the DSH Rule.

Verification 3: Only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services they received as described in Section 1923(g) (1) (A) of the Act are eligible for inclusion in the calculation of the hospital-specific disproportionate share payment limit, as described in Section 1923 (g) (1) (A) of the Act.

Findings: Our examination disclosed that three hospitals did not include only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals and individuals with no third-party coverage for the inpatient and outpatient hospital services they received in the calculation of the hospital-specific disproportionate share payment limit. One additional hospital did not provide any documentation to support their uninsured charges during our expanded procedures. As a result, we were not able to

verify compliance with Verification 3 for this one hospital.

Verification 4: For purposes of this hospital-specific limit calculation, any Medicaid payments (including regular Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, and Medicaid managed care organization payments) made to a disproportionate share hospital for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals, which are in excess of the Medicaid incurred costs of such services, are applied against the uncompensated care costs of furnishing inpatient hospital and outpatient hospital services to individuals with no source of third-party coverage for such services.

Findings: Our examination disclosed that the State does consider any Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, Medicaid payments from other states, Medicare and Medicaid payments for dual-eligible patients and payments for any Section 1011 patients made to a disproportionate share hospital for furnishing inpatient hospital and outpatient hospital services to Medicaid-eligible individuals, which are in excess of the Medicaid incurred costs of such services.

Verification 5: Any information and records of all of its inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments under this Section; and any payments made on behalf of the uninsured from payment adjustments under this Section have been separately documented and retained by the State.

Findings: Our examination disclosed that the Oklahoma Health Care Authority (OHCA) has retained the following documents pertaining to the DSH program: MSP, DSH surveys received from the hospitals, correspondence received from the hospitals, OHCA-prepared DSH calculation worksheets and the Medicaid Management Information Systems (MMIS) data. OHCA does not maintain or collect support for the DSH surveys completed by the hospitals. In accordance with the MSP, each hospital is responsible for maintaining its own supporting documents and records related to information reported to OHCA on the annual DSH survey. We found that 48 of 52 hospitals were able to provide some documentation to support inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments under the DSH Rule, and any other payments made on behalf of the uninsured from payment adjustments under the DSH Rule.

Verification 6: The information specified in Verification 5 includes a description of the methodology for calculating each hospital's payment limit under Section 1923(g)(1) of the Act. Included in the description of the methodology, the audit report must specify how the State defines incurred inpatient hospital and outpatient hospital costs for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals and individuals with no source of third party coverage for the inpatient hospital and outpatient services they received.

Findings: Our examination disclosed that the information specified in the 2012 State MSP provides a description of the methodology for calculating each hospital's DSH payment but does not provide a description of the methodology for calculating hospital-specific DSH limits, therefore it does not comply with Federal Regulation under Section 1923(g)(1) of the Social Security Act. The State plan does not define uncompensated care cost and inpatient and outpatient Medicaid reimbursable services; however, the State relies on the Oklahoma Administrative Code for the definitions of uncompensated care costs and inpatient hospital and outpatient hospital Medicaid reimbursable services when calculating the hospital-specific DSH limits.

Inpatient services are defined as follows:

(a) Covered hospital inpatient services are those medically necessary services which require an inpatient stay ordinarily furnished by a hospital for the care and treatment of inpatients and which are provided under the direction of a physician or dentist in an institution approved under OAC:317:30:5-40.1 (a) or (b). Effective October 1, 2005, claims for inpatient admissions provided on or after October 1st in acute care or critical access hospitals are reimbursed utilizing a Diagnosis Related Groups (DRG) methodology. (b) Inpatient status. OHCA considers a member an inpatient when the member is admitted to the hospital and is counted in the midnight census. In situations when a member inpatient admission occurs and the member dies, is discharged following an obstetrical stay, or is transferred to another facility on the day of admission, the member is also considered an inpatient of the hospital. (1) Same day admission. If a member is admitted and dies before the midnight census on the same day of admission, the member is considered an inpatient. (2) Same day admission/discharge C-obstetrical and newborn stays. A hospital stay is considered inpatient stay when a member is admitted and delivers a baby, even when the mother and baby are discharged on the date of admission (i.e., they are not included in the midnight census). This rule applies when the mother and/or newborn are transferred to another hospital.

Outpatient services are defined as follows:

(a) Hospitals providing outpatient hospital services are required to meet the same requirements that apply to OHCA contracted, non-hospital providers performing the same services. Outpatient services performed outside the hospital facility are not reimbursed as hospital outpatient services. (b) Covered outpatient hospital services must meet all of the criteria listed in (1) through (4) of this subsection. (1) The care is directed by a physician or dentist. (2) The care is medically necessary. (3) The member is not an inpatient. (4) The service is provided in an approved hospital facility. (c) Covered outpatient hospital services are those services provided for a member who is not a hospital inpatient. A member in a hospital may be either an inpatient or an outpatient, but not both (see OAC 317:30-5-41). (d) Separate payment is made for prosthetic devices inserted during the course of surgery when the prosthetic devices are not

integral to the procedure and are not included in the reimbursement for the procedure itself. (e) Physical, occupational, and speech therapy services are covered when performed in an outpatient hospital based setting. Coverage is limited to on evaluation/re-evaluation visit (unit) per discipline per calendar year and 15 visits (units) per discipline per date of service per calendar year. Claims for these services must include the appropriate revenue code(s).

Report on DSH Verifications

State of Oklahoma
Report on DSH Verifications (table)
For the Medicaid State Plan Rate Year Ended September 30, 2012

	Verification #1	Verification #2			Verification #3	Verification #4	Verification #5	Verification #6
Hospital	Was Hospital Allowed to Retain DSH Payment?	DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year	DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured Included in UCC?	If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount?	Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained?	Does the retained documentation include a description of the methodology used to calculate the UCC?
BAILEY MEDICAL CENTER LLC	Yes	221,710	3,005,932	2,784,222	Yes	Yes	Yes	No
BRISTOW MEDICAL CENTER OPERATING COMPANY	No	48,745	1,018,294	969,549	Yes	Yes	No	No
CLAREMORE REGIONAL HOSPIT	Yes	272,478	641,571	369,093	Yes	Yes	Yes	No
COAL COUNTY GENERAL HOSPITAL INC	Yes	24,201	350,618	326,417	Yes	Yes	Yes	No
COMANCHE CO MEM HSP	Yes	1,473,596	1,082,827	(390,769)	Yes	Yes	Yes	No
CRAIG GENERAL HOSPITAL	Yes	182,942	(215,071)	(182,942)	Yes	Yes	Yes	No
CUSHING REGIONAL HOSPITAL	Yes	329,910	1,900,144	1,570,234	Yes	Yes	Yes	No
DEACONESS HSP	Yes	1,249,783	6,231,501	4,981,718	Yes	Yes	Yes	No
DUNCAN REGIONAL HOSP	Yes	569,040	930,648	361,608	Yes	Yes	Yes	No
GRADY MEMORIAL HOSPITAL	Yes	164,392	360,959	196,567	Yes	Yes	Yes	No
GREAT PLAINS REGIONAL MEDICAL CENTER	Yes	197,274	2,281,423	2,084,149	Yes	Yes	Yes	No
HARMON MEM HSP	Yes	59,243	169,319	110,076	Yes	Yes	Yes	No
HENRYETTA MEDICAL CENTER	Yes	131,757	747,169	615,412	Yes	Yes	Yes	No
HILLCREST MEDICAL CENTER	Yes	4,224,734	12,654,037	8,429,303	Yes	Yes	Yes	No
HOLDENVILLE GEN HSP	Yes	74,032	529,967	455,935	Yes	Yes	Yes	No
INTEGRIS BAPTIST MEDICAL C	Yes	3,741,485	7,573,310	3,831,825	Yes	Yes	Yes	No
INTEGRIS BAPTIST REGIONAL HEALTH CE	Yes	505,517	2,406,274	1,900,757	Yes	Yes	Yes	No
INTEGRIS BASS MEM BAP	Yes	850,923	1,296,411	445,488	Yes	Yes	Yes	No
INTEGRIS CANADIAN VALLEY HOSPITAL	Yes	260,487	3,610,548	3,350,061	Yes	Yes	Yes	No
INTEGRIS CLINTON REGIONAL HOSPITAL	Yes	169,559	1,577,845	1,408,286	Yes	Yes	Yes	No
INTEGRIS GROVE HOSPITAL	Yes	285,500	2,811,138	2,525,638	Yes	Yes	Yes	No
INTEGRIS SOUTHWEST MEDICAL	Yes	2,547,888	15,017,857	12,469,969	Yes	Yes	Yes	No
JANE PHILLIPS EP HSP	Yes	592,691	4,126,943	3,534,252	Yes	Yes	Yes	No
KINGFISHER REG HOSP	Yes	76,245	1,088,270	1,012,025	Yes	Yes	Yes	No
LAKESIDE WOMENS CENTER OF	Yes	19,496	529,830	510,334	Yes	Yes	Yes	No
MEMORIAL HOSPITAL	No	41,818	388,761	346,943	Yes	Yes	No	No
MERCY HEALTH CENTER	Yes	1,751,805	8,142,054	6,390,249	Yes	Yes	Yes	No
MERCY MEMORIAL HEALTH CTR	Yes	1,276,041	9,602,596	8,326,555	Yes	Yes	Yes	No
MIDWEST CITY REGIONAL HOSP	Yes	1,336,241	5,233,251	3,897,010	Yes	Yes	Yes	No
MUSKOGEE COMMUNITY HOSPITAL	Yes	174,517	1,455,615	1,281,098	Yes	Yes	Yes	No
NORMAN REGIONAL HOSPITAL	Yes	2,289,981	9,509,051	7,219,070	Yes	Yes	Yes	No
PAULS VALLEY GEN HSP	No	3,677	270,670	266,993	Yes	Yes	No	No
PAWHUSKA HSP INC	Yes	42,497	151,945	109,448	Yes	Yes	Yes	No
PONCA CITY MEDICAL CENTER	Yes	454,296	(678,011)	(454,296)	Yes	Yes	Yes	No
PRAGUE COMMUNITY HOSPITAL	Yes	40,146	401,550	361,404	Yes	Yes	Yes	No
SAINT FRANCIS HOSPITAL	Yes	4,471,514	(1,692,419)	(4,471,514)	Yes	Yes	Yes	No
SAINT FRANCIS HOSPITAL SOUTH	Yes	218,123	2,870,516	2,652,393	Yes	Yes	Yes	No
SOUTHCREST HOSPITAL	Yes	972,025	4,201,297	3,229,272	Yes	Yes	Yes	No
ST ANTHONY HSP	Yes	2,286,259	13,269,317	10,983,058	Yes	Yes	Yes	No
ST JOHN MED CTR	Yes	3,892,761	12,891,334	8,998,573	Yes	Yes	Yes	No
ST JOHN OWASSO	Yes	337,386	2,466,495	2,129,109	Yes	Yes	Yes	No
ST MARY'S REGIONAL CTR	Yes	300,348	4,040,274	3,739,926	Yes	Yes	Yes	No
STILLWATER MEDICAL CENTER	Yes	119,091	4,219,256	4,100,165	Yes	Yes	Yes	No
TAHLEQUAH CITY HSP	Yes	455,204	(1,665,321)	(455,204)	Yes	Yes	Yes	No
UNITY HEALTH CENTER	Yes	767,338	2,773,951	2,006,613	Yes	Yes	Yes	No

See Independent Accountant's Report

State of Oklahoma
Report on DSH Verifications (table)
For the Medicaid State Plan Rate Year Ended September 30, 2012

Hospital	Verification #1	Verification #2			Verification #3	Verification #4	Verification #5	Verification #6
	Was Hospital Allowed to Retain DSH Payment?	DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year	DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured Included in UCC?	If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount?	Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained?	Does the retained documentation include a description of the methodology used to calculate the UCC?
VALLEY VIEW REG HOSP	Yes	511,515	(2,023,032)	(511,515)	Yes	Yes	Yes	No
WEATHERFORD HOSPITAL AUTHORITY	No	104,982	563,897	458,915	Yes	Yes	No	No
WOODWARD REGIONAL HOSPITAL	Yes	153,111	2,152,960	1,999,849	Yes	Yes	Yes	No
GEORGE NIGH REHAB INST VA	Yes	22,447	325,243	302,796	Yes	Yes	Yes	No
J D MCCARTY C P CTR	Yes	405,108	3,081,352	2,676,244	Yes	Yes	Yes	No
GRIFFIN MEMORIAL HOSPITAL	Yes	2,305,573	6,071,933	3,766,360	Yes	Yes	Yes	No
CARL ALBERT COMM MHC	Yes	967,675	2,633,719	1,666,044	Yes	Yes	Yes	No

See Independent Accountant's Report

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

State of Oklahoma Disproportionate Share Hospital (DSH)
Schedule of Data Caveats Relating to the DSH Verifications
For the Year Ended September 30, 2012

Finding 1

Criteria:
Section 42 CFR Part 455.304(d)(1) requires that each hospital that qualifies for a DSH payment in the State is allowed to retain that payment so that the payment is available to offset its uncompensated care costs for furnishing inpatient hospital and outpatient hospital services during the Medicaid State Plan (MSP) rate year to Medicaid-eligible individuals and individuals with no source of third-party coverage for the services in order to reflect the total amount of claimed DSH expenditures.

Condition:
We found that four hospitals did not qualify for a DSH payment. We were unable to verify that the four hospitals met the obstetrician (OB) requirement due to the hospitals not completing and submitting the requested documentation.

Cause:
The Oklahoma Health Care Authority (OHCA) relies on provider responses on the annual DSH survey files the hospitals complete and submit to determine eligibility and do not require documentation to support the responses.

Recommendation:
We recommend that the OHCA implement periodic monitoring procedures to ensure disproportionate share hospitals maintain complete and accurate documentation to support all responses on the DSH survey files.

Finding 2

Criteria:
Social Security Act Section 1923(g)(1)(A) specifies that DSH payments to a hospital shall not exceed the cost incurred (net of the payments received) during the MSP rate year. Section 42 CFR Part 455.304(d)(2) further clarified that DSH payments made to each qualifying hospital shall comply with the hospital-specific DSH payment limit.

Condition:
We found that 52 in-state hospitals received DSH payments in MSP rate year 2012. Four of the 52 hospitals that received DSH payments did not provide documentation to verify that they met the OB requirement to receive the DSH payment and therefore received DSH payments in excess of their hospital-specific DSH payment limit.

We found that of the 48 qualified hospitals receiving DSH, six hospitals received DSH payments that exceeded their hospital-specific DSH payment limits calculated based on the DSH Rule.

Cause:
Four hospitals did not submit the requested documentation verifying that they met the OB requirement. As a result, the State made payments to hospitals that were not qualified for the DSH program. In addition, the State calculation of the hospital DSH payment limits is not in accordance with the DSH Final Rule.

Recommendation:
We recommend that the OHCA implement periodic monitoring procedures to ensure that hospitals that receive disproportionate hospital payments meet the necessary OB requirement. We also recommend that the OHCA revise the hospital DSH payment limit calculation in accordance with the DSH Final Rule.

Finding 3

Criteria:
Section 42 CFR Part 455.304(d)(3) requires that only the uncompensated care costs of providing inpatient hospital and outpatient hospital services to Medicaid-eligible individuals and uninsured individuals as described in Section 1923(g)(1)(A) of the Act can be included in the calculation of hospital-specific limits.

Condition:
Three hospitals did not include only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid-eligible individuals and individuals with no third-party coverage for the inpatient and outpatient hospital services they received in the calculation of the hospital-specific disproportionate share payment limit.

Cause:
The State does not verify the self-reported uninsured and Medicaid-eligible data provided by the hospitals on their DSH surveys.

Recommendation:
We recommend the State review the self-reported uninsured data for reasonableness in order to ensure the hospitals are properly including only costs of Medicaid-eligible and uninsured individuals in their hospital-specific limit calculation.

Finding 4

Criteria:
Section 42 CFR Part 455.304(d)(5) requires that states separately document and retain a record of the following: all of its costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining DSH payments; and any payments made on behalf of the uninsured.

Condition:
There were 48 of 52 hospitals that did retain and made available to us, during the course of this examination, any of the requested documentation.

Cause:
Despite numerous requests to obtain the documentation, four hospitals did not provide Myers and Stauffer LC with any documentation supporting hospital service costs and any payments made on behalf of uninsured patients.

Recommendation:
We recommend that the State implement periodic monitoring procedures to ensure disproportionate share hospitals maintain complete and accurate data and records to support all of its hospital service costs and payments made on behalf of uninsured patients in determining payment adjustments under this Section 42 CFR §455.304(d)(5).

Finding 5

Criteria:
Section 42 CFR Part 455.304(d)(6) requires that the information specified in Verification 5 includes a description of the methodology for calculating each hospital's payment limit under Section 1923(g)(1) of the Social Security Act including how the State defines incurred inpatient hospital and outpatient hospital costs for furnishing inpatient hospital and outpatient hospital services to Medicaid-eligible individuals and individuals with no source of third-party coverage for the inpatient hospital and outpatient hospital services they received.

Condition:
The MSP does not provide a description of the methodology for calculating hospital-specific DSH limits.

Cause:
The MSP refers to the calculation of the hospital specific DSH upper payment limit but does not include the methodology for calculating the hospital-specific DSH upper payment limit.

Recommendation:
We recommend that OHCA update the MSP to include the methodology for calculating the hospital-specific DSH upper payment limit.

Scope Limitation

Criteria:
Section 42 CFR Part 455.304(d)(3) requires that only the uncompensated care costs of providing inpatient hospital and outpatient hospital services to Medicaid-eligible individuals and uninsured individuals as described in Section 1923(g)(1)(A) of the Act can be included in the calculation of hospital-specific limits.

Condition:
One hospital did not provide documentation requested to test the uncompensated care costs of uninsured individuals. As a result, we are unable to verify that the uninsured cost was accurately reported.

Communication on Internal Control

Oklahoma Health Care Authority
Oklahoma City, Oklahoma

INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER THE DISPROPORTIONATE SHARE HOSPITAL PROGRAM IN OKLAHOMA STATE FOR THE MEDICAID STATE PLAN RATE YEAR 2012 AS IT RELATES TO THE SIX VERIFICATIONS SET FORTH IN 42 CFR PART 455 RELATING TO THE MEDICAID PROGRAM FOR DISPROPORTIONATE SHARE HOSPITAL PAYMENTS FINAL RULE AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN ATTESTATION ENGAGEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.

We have examined the compliance of Oklahoma Health Care Authority Disproportionate Share Hospital (DSH) Program in the State of Oklahoma (State) for the Medicaid State Plan (MSP) rate year 2012 with the requirements of the six DSH verifications set forth in 42 CFR §455.304. Our examination report was qualified due to certain aspects of the operation of the DSH Program in the State for MSP rate year 2012 did not fully comply with the requirements of the six DSH verifications set forth in 42 CFR §455.304 relating to the DSH Rule. We conducted our examination in accordance with the attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

Internal Control over the Required Six DSH Verifications

In planning and performing our examination of the State of Oklahoma's DSH compliance with the requirements of the six DSH verifications set forth in 42 CFR §455.304 for the period ended September 30, 2012, in accordance with attestation standards established by the AICPA, we considered the State of Oklahoma's internal control over the DSH program (internal control), as a basis for designing our examination procedures for the purpose of expressing our opinion on the State of Oklahoma's compliance related to the six DSH verifications, but not for the purpose of expressing an opinion on the effectiveness of the State of Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Oklahoma's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial information will not be prevented,

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or detected and corrected on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Findings 1 through 5 in the Schedule of Data Caveats Relating to the DSH Verifications

Compliance

As part of obtaining reasonable assurance about the State of Oklahoma's compliance with the six DSH verifications set forth in 42 CFR §455.304(d), we performed tests of its compliance with certain provisions of laws, regulations, and policies, noncompliance with which could have a direct and material effect on the Report on DSH Verifications. However, providing an opinion on compliance with those provisions was not an objective of our examination, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under GAGAS, which are described in the Schedule of Data Caveats Relating to the DSH Verifications.

This communication is intended solely for the information and use of Oklahoma Health Care Authority, the Oklahoma State Legislature, the hospitals participating in the State of Oklahoma's DSH program, and the Centers for Medicare & Medicaid Services. It is not intended to be, and should not be, used by anyone other than these specified parties.

Myers and Stauffer LC

Myers and Stauffer LC
December 9, 2015

Schedule of Annual Reporting Requirements

Definition of Uncompensated Care: The definition of uncompensated care was based on guidance published by CMS in the 73 Fed. Reg. 77904 dated December 19, 2008 and the 79 Fed. Reg. 71679 dated December 3, 2014. The calculated uncompensated care costs (UCC) represent the net uncompensated costs of providing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no source of third party coverage for the inpatient and outpatient hospital services received. The UCC for these patient groups was calculated using Medicare cost reporting methods, and utilized the Medicare cost report, Medicaid Paid Claims Summaries, and Hospital-Provided Data. Total uncompensated care costs represents the net uncompensated care costs of providing inpatient and outpatient hospital services to patients that fall into one of the following Medicaid in-State and out-of-State payment categories: Fee-for-Service Medicaid primary, Fee-for-Service Crossovers, Managed Care Medicaid primary, Managed Care Medicaid Crossover, and Uninsured individuals with no source of third party coverage for the inpatient and outpatient hospital services received. The cost of services for each of these payment categories was calculated using the appropriate per diems or cost-to-charge ratios from each hospital's Medicare Cost Report. These costs were then reduced by the total payments received for the services provided, including any supplemental Medicaid payments and Section 1011 payments where applicable.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
Hospital Name	State Estimated Hospital-Specific DSH Limit	Medicaid I/P Utilization Rate	Low-Income Utilization Rate	State-Defined Eligibility Statistic	Regular IP/OP Medicaid FFS Rate Payments	IP/OP Medicaid MCO Payments	Supplemental / Enhanced IP/OP Medicaid Payments	Total Medicaid IP/OP Medicaid Payments (F+G+H)	Total Cost of Care - Medicaid IP/OP Services	Total Medicaid Uncompensated Care Costs (J-I)	Total IP/OP Indigent Care/Self-Pay Revenues	Total Applicable Section 1011 Payments	Total IP/OP Uninsured Cost of Care	Total Uninsured Uncompensated Care Costs (N-M-L)	Total Eligible Uncompensated Care Costs (K+O)	Total In-State DSH Payments Received	Total Out-of-State DSH Payments Received	Medicaid Provider Number	Medicare Provider Number	Total Hospital Cost
BAILEY MEDICAL CENTER LLC	6,416,521	25.27%	8.93%	1% MIUR	3,136,038	0	583,082	3,719,120	5,945,791	2,226,671	802,031	0	1,581,292	779,261	3,005,932	221,710	0	200102450A	370228	27,905,249
BRISTOW MEDICAL CENTER OPERATING COMPANY	1,159,904	14.89%	9.82%	Note 1	1,691,804	0	69,371	1,761,175	2,681,964	920,789	16,460	0	113,965	97,505	1,018,294	48,745	0	200272140B	370041	11,616,350
CLAREMORE REGIONAL HOSPIT	5,778,169	17.67%	9.88%	1% MIUR	5,770,758	0	1,897,279	7,668,037	6,433,784	(1,234,253)	436,847	0	2,312,671	1,875,824	641,571	272,478	0	100726280B	370039	37,610,744
COAL COUNTY GENERAL HOSPITAL INC	326,783	31.52%	14.36%	1% MIUR	1,040,943	0	77,725	1,118,668	1,159,155	40,487	122,386	0	432,517	310,131	350,618	24,201	0	100774650D	371319	3,767,370
COMANCHE CO MEM HSP	2,624,694	24.02%	14.61%	1% MIUR	23,653,752	0	9,146,694	32,800,446	26,359,295	(6,441,151)	1,186,048	0	8,710,026	7,523,978	1,082,827	1,473,596	0	100749570S	370056	132,537,808
CRAIG GENERAL HOSPITAL	529,382	32.09%	14.59%	1% MIUR	4,883,294	0	988,670	5,871,964	5,656,893	(215,071)	0	0	0	0	(215,071)	182,942	0	100261400B	370065	18,979,622
CUSHING REGIONAL HOSPITAL	2,663,461	31.44%	15.13%	1% MIUR	4,939,076	0	1,259,443	6,198,519	7,184,053	985,534	250,765	0	1,165,375	914,610	1,900,144	329,910	0	200044190A	370099	22,001,050
DEACONESS HSP	15,777,223	26.03%	12.17%	1% MIUR	18,455,084	0	5,961,806	24,416,890	23,979,483	(437,407)	465,813	0	7,134,721	6,668,908	6,231,501	1,249,783	0	100699370A	370032	115,501,119
DUNCAN REGIONAL HOSP	3,121,207	25.05%	14.71%	1% MIUR	11,512,887	2,729	2,471,265	13,986,881	12,163,771	(1,823,110)	716,893	0	3,470,651	2,753,758	930,648	569,040	0	100700120A	370023	53,381,412
GRADY MEMORIAL HOSPITAL	1,317,264	31.25%	15.69%	1% MIUR	5,512,376	0	1,912,413	7,424,789	6,300,002	(1,124,787)	472,680	0	1,958,426	1,485,746	360,959	164,392	0	100700820A	370054	24,433,270
GREAT PLAINS REGIONAL MEDICAL CENTER	3,885,861	23.49%	17.41%	1% MIUR	4,325,250	0	1,541,572	5,866,822	7,100,693	1,233,871	694,457	0	1,742,009	1,047,552	2,281,423	197,274	0	100699410A	370019	35,286,956
HARMON MEM HSP	59,243	59.30%	21.89%	1% MIUR	1,686,425	0	290,476	1,976,901	1,941,670	(35,231)	28,459	0	233,009	204,550	169,319	59,243	0	100700780B	370036	3,501,352
HENRYETTA MEDICAL CENTER	1,705,697	25.45%	12.82%	1% MIUR	2,960,321	0	437,565	3,397,886	3,552,901	155,015	155,595	0	747,749	592,154	747,169	131,757	0	200045700C	370183	11,678,090
HILLCREST MEDICAL CENTER	16,700,228	39.90%	18.42%	1% MIUR	76,441,525	100	29,559,582	106,001,207	98,409,376	(7,591,831)	2,179,302	0	22,425,170	20,245,868	12,654,037	4,224,734	0	200044210A	370001	339,835,091
HOLDENVILLE GEN HSP	957,661	39.09%	13.10%	1% MIUR	2,136,223	0	428,412	2,564,635	2,645,039	80,404	93,723	0	543,286	449,563	529,967	74,032	0	100699880A	371321	8,205,266
INTEGRIS BAPTIST MEDICAL C	21,102,470	40.48%	13.75%	1% MIUR	77,237,663	0	29,019,367	106,257,030	100,200,466	(6,056,564)	3,230,796	0	16,860,670	13,629,874	7,573,310	3,741,485	0	100806400C	370028	446,503,289
INTEGRIS BAPTIST REGIONAL HEALTH CE	3,699,265	32.39%	15.24%	1% MIUR	8,374,825	0	2,197,706	10,572,531	11,457,168	884,637	318,929	0	1,840,566	1,521,637	2,406,274	505,517	0	100699440A	370004	34,656,461
INTEGRIS BASS MEM BAP	4,397,699	56.16%	19.35%	1% MIUR	18,573,012	0	6,523,910	25,096,922	24,391,116	(705,806)	957,319	0	2,959,536	2,002,217	1,296,411	850,923	0	100699500A	370016	73,642,757
INTEGRIS CANADIAN VALLEY HOSPITAL	3,750,853	32.60%	12.90%	1% MIUR	6,720,849	0	2,026,320	8,747,169	10,547,272	1,800,103	667,828	0	2,478,273	1,810,445	3,610,548	260,487	0	100700610A	370211	43,750,097
INTEGRIS CLINTON REGIONAL HOSPITAL	2,532,195	19.59%	12.21%	1% MIUR	2,259,354	0	1,067,703	3,327,057	3,590,159	263,102	200,088	0	1,514,831	1,314,743	1,577,845	169,559	0	100700010A	370029	22,108,498
INTEGRIS GROVE HOSPITAL	3,439,748	35.79%	16.35%	1% MIUR	9,100,745	0	1,893,081	10,993,826	11,791,294	797,468	366,354	0	2,380,024	2,013,670	2,811,138	285,500	0	100699700A	370113	39,055,062
INTEGRIS SOUTHWEST MEDICAL	28,906,806	25.26%	15.93%	1% MIUR	36,740,775	0	10,170,910	46,911,685	48,108,505	1,196,820	1,411,621	0	15,232,658	13,821,037	15,017,857	2,547,888	0	100700200A	370106	183,000,529
JANE PHILLIPS EP HSP	8,263,986	18.14%	12.88%	1% MIUR	10,944,933	0	2,962,104	13,907,037	12,740,045	(1,166,992)	474,584	0	5,768,519	5,293,935	4,126,943	592,691	0	100699490A	370018	87,784,387
KINGFISHER REG HOSP	1,353,598	22.18%	7.44%	1% MIUR	1,518,471	0	211,373	1,729,844	2,201,165	471,321	192,818	0	809,767	616,949	1,088,270	76,245	0	100699510A	371313	13,369,970
LAKESIDE WOMENS CENTER OF	486,694	13.40%	3.05%	1% MIUR	699,399	0	0	699,399	1,232,935	533,536	285,219	0	281,513	(3,706)	529,830	19,496	0	100745350B	370199	16,653,481
MEMORIAL HOSPITAL	41,818	37.06%	15.85%	Note 1	2,017,350	0	1,071,053	3,088,403	3,477,164	388,761	0	0	0	0	388,761	41,818	0	100699630A	370138	14,741,689
MERCY HEALTH CENTER	10,056,356	19.72%	16.74%	1% MIUR	28,699,734	44	12,491,336	41,191,114	39,516,947	(1,674,167)	1,706,082	0	11,522,303	9,816,221	8,142,054	1,751,805	0	100699390A	370013	271,456,862
MERCY MEMORIAL HEALTH CTR	3,912,834	25.15%	23.60%	1% MIUR	24,601,057	860	6,039,831	30,641,748	31,667,335	1,025,587	766,959	0	9,343,968	8,577,009	9,602,596	1,276,041	0	100262320C	370047	125,304,984
MIDWEST CITY REGIONAL HOSP	9,479,950	20.42%	13.89%	1% MIUR	23,826,988	0	6,772,556	30,599,544	27,356,282	(3,243,262)	925,096	0	9,401,609	8,476,513	5,233,251	1,336,241	0	100700490A	370094	130,380,351
MUSKOGEE COMMUNITY HOSPITAL	4,481,448	19.30%	13.14%	1% MIUR	3,428,786	0	5,170	3,433,956	4,889,571	1,455,615	0	0	0	0	1,455,615	174,517	0	200250810A	370232	20,490,550
NORMAN REGIONAL HOSPITAL	16,877,920	22.38%	13.04%	1% MIUR	35,402,257	0	13,116,408	48,518,665	48,628,517	109,852	3,152,267	0	12,551,466	9,399,199	9,509,051	2,289,981	0	100700690A	370008	250,598,685
PAULS VALLEY GEN HSP	3,678	32.69%	14.36%	Note 1	1,964,852	0	526,146	2,490,998	2,761,668	270,670	0	0	0	0	270,670	3,677	0	100699890A	370156	10,499,997
PAWHUSKA HSP INC	893,753	41.90%	7.61%	1% MIUR	747,518	0	125,872	873,390	1,025,335	151,945	0	0	0	0	151,945	42,497	0	100690120A	371309	3,344,254
PONCA CITY MEDICAL CENTER	3,772,835	38.67%	14.98%	1% MIUR	9,476,972	0	2,682,223	12,159,195	10,725,543	(1,433,652)	550,533	0	1,306,174	755,641	(678,011)	454,296	0	100699420A	370006	39,854,283
PRAGUE COMMUNITY HOSPITAL	1,052,016	20.06%	10.57%	1% MIUR	647,150	0	141,361	788,511	936,661	148,150	11,659	0	265,059	253,400	401,550	40,146	0	200231400B	371301	3,750,361
SAINT FRANCIS HOSPITAL	7,015,411	28.85%	19.66%	1% MIUR	106,678,787	0	42,587,694	149,266,481	121,959,671	(27,306,810)	3,354,157	0	28,968,548	25,614,391	(1,692,419)	4,471,514	0	100699570A	370091	512,179,036
SAINT FRANCIS HOSPITAL SOUTH	4,264,903	30.59%	12.00%	1% MIUR	6,109,412	0	1,388,440	7,497,852	8,442,003	944,151	605,829	0	2,532,194	1,926,365	2,870,516	218,123	0	200031310A	370218	44,310,786
SOUTHCREST HOSPITAL	4,342,591	27.62%	13.27%	1% MIUR	13,736,083	0	6,851,751	20,587,834	20,476,460	(111,374)	1,238,126	0	5,550,797	4,312,671	4,201,297	972,025	0	100697900A	370202	96,989,857
ST ANTHONY HSP	10,376,629	38.28%	17.96%	1% MIUR	57,997,759	0	23,585,862	81,583,621	75,207,321	(6,376,300)	3,968,648	0	23,614,265	19,645,617	13,269,317	2,286,259	0	100699540A	370037	314,860,988
ST JOHN MED CTR	21,529,244	18.69%	26.42%	1% MIUR	50,959,822	0	28,469,856	79,429,678	66,407,736	(13,021,942)	3,241,464	0	29,154,740	25,913,276	12,891,334	3,892,761	0	100699400A	370114	446,396,942
ST JOHN OWASSO	7,747,039	20.91%	11.40%	1% MIUR	2,750,589	0	834,451	3,585,040	4,299,643	714,603	321,789	0	2,073,681	1,751,892	2,466,495	337,386	0	200106410A	370227	26,706,143
ST MARY'S REGIONAL CTR	3,768,518	15.85%	11.31%	1% MIUR	8,343,847	0	2,370,733	10,714,580	11,948,735	1,234,155	592,943	0	3,399,062	2,806,119	4,040,274	300,348	0	100690020A	370026	70,956,292
STILLWATER MEDICAL CENTER	433,505	21.55%	11.52%	1% MIUR	9,232,281	0	3,013,022	12,245,303	12,463,167	217,864	693,139	0	4,694,531	4,001,392	4,219,256	119,091	0	100699950A	370049	66,694,021
TAHLEQUAH CITY HSP	2,229,737	26.28%	16.89%	1% MIUR	13,602,531	0	3,156,306	16,758,837	13,858,213	(2,900,624)	327,247	0	1,562,550	1,235,303	(1,665,321)	455,204	0	100700680A	370089	53,690,586
UNITY HEALTH CENTER	4,471,160	29.64%	16.92%	1% MIUR	11,406,831	0	3,194,431	14,601,262	13,318,928	(1,282,334)	271,104	0	4,327,389	4,056,285	2,773,951	767,338	0	100740840B	370149	53,413,582
VALLEY VIEW REG HOSP	511,515	19.22%	20.22%	1% MIUR	13,763,455	0	4,280,588	18,044,043	13,883,668	(4,160,375)	170,818	0	2,308,161	2,137,343	(2,023,032)	511,515	0	100728840B	370020	55,888,375
WEATHERFORD HOSPITAL AUTHORITY	1,360,789	35.37%	11.74%	Note 1	2,365,359	0	410,528	2,775,887	3,339,784	563,897	0	0	0	0	563,897	104,982	0	100699870E	371323	14,640,252
WOODWARD REGIONAL HOSPITAL	3,439,424	31.55%	11.18%	1% MIUR	4,121,659	0	923,511	5,045,170	5,838,259	793,089	312,579	0	1,672,450	1,359,871	2,152,960	153,111	0	200019120A	370002	23,419,964
GEORGE NIGH REHAB INST VA	370,839	29.81%	10.12%	1% MIUR	693,107	0	0	693,107	1,018,350	325,243	0	0	0	0	325,243	22,447	0	100693650A	373026	4,274,786
J D MCCARTY C P CTR	3,931,733	96.17%	91.59%	1% MIUR	11,526,565	0	0	11,526,565	14,607,917	3,081,352	0	0	0	0	3,081,352	405,108	0	100700670A	373300	15,651,029

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Hospital Name	State Estimated Hospital-Specific DSH Limit	Medicaid I/P Utilization Rate	Low-Income Utilization Rate	State-Defined Eligibility Statistic	Regular IP/OP Medicaid FFS Rate Payments	IP/OP Medicaid MCO Payments	Supplemental / Enhanced IP/OP Medicaid Payments	Total Medicaid IP/OP Medicaid Payments (F+G+H)	Total Cost of Care - Medicaid IP/OP Services	Total Medicaid Uncompensated Care Costs (J-I)	Total IP/OP Indigent Care/Self-Pay Revenues	Total Applicable Section 1011 Payments	Total IP/OP Uninsured Cost of Care	Total Uninsured Uncompensated Care Costs (N-M-L)	Total Eligible Uncompensated Care Costs (K+O)	Total In-State DSH Payments Received	Total Out-of-State DSH Payments Received	Medicaid Provider Number	Medicare Provider Number	Total Hospital Cost
Institute for Mental Disease																				
GRIFFIN MEMORIAL HOSPITAL	11,817,861	12.93%	12.21%	1% MIUR	267,507	0	433,734	701,241	3,086,602	2,385,361	37,936	0	3,724,508	3,686,572	6,071,933	2,305,573	0	100690030A	374000	23,839,254
CARL ALBERT COMM MHC	967,676	9.37%	6.76%	1% MIUR	75,870	0	258,149	334,019	339,776	5,757	0	0	2,627,962	2,627,962	2,633,719	967,675	0	100700640A	374006	10,146,855

Note 1: Hospital did not meet the OB/GYN requirement and were not qualified for a DSH payment. Therefore, they are considered to have exceeded their DSH limit.

Independence Declaration

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

December 9, 2015

Mr. Aaron Morris
Oklahoma Health Care Authority
4345 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105

Dear Mr. Morris,

We are submitting this letter in connection with our Independent Accountant's Report submitted to the Oklahoma Health Care Authority (OHCA) on Program Operations as Related to Disproportionate Share Hospital (DSH) Payments Final Rule (DSH Rule) for Medicaid State plan (MSP) rate year 2012.

Our examination of the DSH program was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States.

In the Rule, the Centers for Medicare & Medicaid Services (CMS) defined an "independent audit" to mean an audit conducted according to the standards specified in GAGAS. In addition, CMS indicated in the discussion accompanying the Rule that an independent auditor must operate independently from the Medicaid agency and the subject hospitals. Furthermore, CMS has issued guidance that the DSH auditor must submit a signed statement declaring independence of the respective Medicaid agency and hospitals for MSP years 2007 and later. This statement is to be included with the report submitted to CMS on an annual basis. In order for you to comply with this CMS guidance, we are furnishing you this letter to accompany the report that you will be submitting to CMS.

GAGAS requires that "(I)n all matters related to the audit work, the audit organization and the individual auditor, whether government or public, should be free both in fact and appearance from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments of independence."

Myers and Stauffer LC is independent of the OHCA and the Oklahoma DSH hospitals as defined by GAGAS. In addition, I, Frank Vito, acting as the engagement member-in-charge of the engagement to examine the Oklahoma DSH program under the Rule, am independent of the OHCA and the DSH hospitals.

Sincerely,

Frank N. Vito, CPA, CICA, CGMA
Member

11044 Research Blvd, Ste C-500 | Austin, TX 78759
PH 512.342.0800 | FX 512.342.0820
www.mslc.com