Good morning. I am Rick Holloway, President of Western Health Care Corporation and owner/administrator of Owyhee Health and Rehabilitation Center in Homedale. I also manage a combination nursing home and assisted living facility in Salmon, Idaho and provide consulting services for several rural hospitals, nursing homes, and assisted living facilities all over Idaho and Nevada.

As a licensed nursing home and assisted living facility Administrator for 21 years and a person who has worked in nearly all departments in a skilled and assisted living facility, including billing and other business office functions, I have a unique perspective on the change from EDS to the Molina billing system which occurred over 17 months ago. I come before you today to discuss the challenges we as providers faced and where we are today from the providers perspective.

When we transitioned from the 1990's skilled nursing facility payment system to EDS in about 1996, I was part of the group of providers asked to help EDS design the SNF payment program. We met for several months and the EDS representatives used the feedback we provided to design a system that should be relatively close to the final product once it was implemented. The final EDS program when implemented, although not perfect, needed very few modifications after implementation until it was fully operational less than four months after it rolled out.

I don't know who set up the design phase when Molina was preparing to take over the Medicaid billing process as of July 1, 2010, but providers were never included in the design phase. Had we been involved, the problems with the system beginning July 2010 would have been significantly diminished. Unfortunately, we can't go back and change what didn't happen more than a year and a half ago, so we have to keep working to make the adjustments after the system was live.

There is no need to restate what you have undoubtedly heard about the Molina system for the first year it was in place. I would like to focus on where we are today.

There are really three major issues important to providers which are in various stages of completion at present. The first has to do with the rates we are paid per patient day. As you know, skilled nursing facilities are paid an interim rate beginning July 1 of each year and that rate is finalized when the facility's cost report is finalized. We had a lot of problems getting the correct payment rate in place and having those rates updated when the finalized rates were established. This requires a reprocessing of claims going back to the beginning of the rate year for which the rates were applicable. Unfortunately, this reprocessing is not complete. Everything is correct from about October of last year, but the claims previous to that are not. If you look at the attachment on the last two pages of your handouts, you'll see that the rates are not always according to the rate letters we received.

The second issue has to do with patient share of cost. The amount each patient is expected to contribute to their nursing home or assisted living care is based on each patient's income and expenses, and Medicaid Self-Reliance sets the share of cost per month and nursing facilities and assisted living facilities are expected to collect that amount from the patient. We have had considerable problems getting the share of cost deducted from the amount paid to us from the state from the start of the Molina billing system rollout. As you can see on the last two pages of your handouts, the reprocessing of these claims has not been completed yet. Just in the amounts you have shown on the last two pages, there is $3,048 in overpayments that will be recouped from the state once the claims have been reprocessed. Unfortunately, as a provider of assisted living facility (AL) services in Idaho, the AL payments and reprocessing of prior claims has not occurred. Just in our facility in Salmon, we estimate there is at least $40,000 in share of cost payments that should have been deducted from our checks but weren't, and there is no way on the Molina billing system to send adjustments in electronically to get those claims reprocessed. We have claim tickets where we sent the information to Molina but the claims have yet to be reprocessed.

Presently, the share of cost is posted on the Molina web portal, and is supposed to be the most accurate information on the share of cost amount. We used to get the share of cost information for each patient directly from Self-Reliance, but that hasn't happened for over a year. Not having the information on share of cost prevents the facilities from billing the patient or responsible party the correct amount, and necessitates retroactive adjustments which could go back two years or more. Imagine the difficulty in collecting share of cost from patients who may not have even been in your building for over a year. What ends up happening is that the facility ends up losing that money and writing it off. Write-offs from retroactive share of cost adjustments in my building have been as high as $15,000 per year. As a small, independent provider, such a loss causes severe financial hardship.

The third issue has to do with the coordination of benefits when a Medicaid patient goes to a hospital and comes back covered under Medicare Part A. Medicare pays the first 20 days at 100 percent and has a co-payment for the next 80 days, or until the patient no longer needs skilled nursing services. For your information, most Medicare Part A patients have a length of stay of only 40-50 days, and that patient will then go to a Medicaid covered status. Two years ago, Medicaid stopped paying the Medicare co-payment, and that co-payment is covered by Medicare as a bad debt expense. We need very specific information from Medicaid and Molina to show that amount is not payable by Medicaid, and the nursing facilities can then claim that expense to be paid by Medicare. We now have that issue resolved, thanks to the regular meetings we have had with Molina.

Molina has reprocessed several claims over the past 17 months, but some are still not processed correctly. Further, it is difficult and very time consuming to track all of the changes and reprocessing. On the page following this sheet, you will see an actual claim listing for a month of service in 2010. As you can see, there are several reversed claims compared to paid claims. And it is still not correct, especially for the 2010 claims.

One area that has not been resolved, and apparently cannot be resolved, is the need to re-enter all patient information, diagnosis codes, and other billing data every single time a claim is entered into the on-line portal. This greatly increases the chance that errors may be made in claims submission. The EDS system allowed a provider to pull a previous month's bill and simply change the dates and update any data parts, but the Molina system does not have that option. We have to manually calculate the days times the rate and enter that amount into the billing form. This problem adds countless hours each month to the billing process for business office managers across Idaho.

With the problems we have had, and continue to have, concerning reprocessing of claims, I wish to point out that Molina is meeting with the providers on a monthly basis to resolve the issues. While there seemed to be a significant lack of progress through most of 2010 and the early parts of 2011, we are now getting closer to getting the problems resolved. Please know that I do not believe Molina is the only reason for the problems we are experiencing. I do not believe the criteria for the billing system was effectively and clearly communicated to Molina, so they had no way of designing a system that would work the way it needed to from the start. There are many pieces to this puzzle, and all must work together to make the billing process work the way it was intended. Self-Reliance must get the information to IBES, IBES needs to transmit that information to Molina, and Molina needs to update it in their system. Molina is truly working their hearts out to get the problems resolved, but they certainly started out in a big hole by not having all of the information necessary from the start on what the billing system was supposed to do and how it was to work.

My primary concerns at this point are that the reprocessing of skilled facility and assisted living facility claims needs to be completed. I do believe we are close to getting the skilled claims reprocessed so the share of cost and rates are correct going back to June of 2010, but I am very concerned about the assisted living claims not being reprocessed. While there are just over 70 skilled nursing facilities, there are

thousands of assisted living beds and patients in Idaho, and if the share of cost issues we have in our assisted living facility are indicative of an industry-wide problem, there may be millions of dollars sitting on the books of assisted living providers that should be returned to the state. When you consider the decisions the legislators will be making during the upcoming legislative session will be based on the claims data you receive from Health and Welfare through Molina, the dollar amount you will hear will not be correct. In fact, they will more than likely be overstated because the patient liability amounts were not deducted as they should have been. I don't know if this problem will be resolved by December 31 of this year, but it is something to consider when assessing where the Health and Welfare budget is for the current state fiscal year.

I wish to thank you once again for the opportunity to give you an analysis of where the Molina billing system is now from a provider's perspective. I would also like to thank the Molina administrative and programming staff for their willingness to keep working through the claims processing issues we have identified. We still have a ways to go, but I feel the end may be finally in sight.

I now stand for questions.

ID	Type	Date	Date	Amount	Amount	Status
10273W0004031A1	CC	7/30/2010	7/31/2010	$354.92	$0.00	PAID
10273W0004031R1	CC	7/30/2010	7/31/2010	($354.92)	($308.62)	REVERSED
10210W0002399	CC	7/1/2010	7/29/2010	$5,146.34	$4,191.87	PAID
10210W0002399A1	CC	7/1/2010	7/29/2010	$5,146.34	$4,191.87	PAID
10210W0002399R1	CC	7/1/2010	7/29/2010	($5,146.34)	($4,191.87)	REVERSED
10210W0002454	CU	7/1/2010	7/28/2010	$5,146.34	$4,474.99	PAID
10210W0002454A1	CU	7/1/2010	7/28/2010	$5,146.34	$4,474.99	PAID
10210W0002454A2	CU	7/1/2010	7/28/2010	$5,146.34	$3,672.33	PAID
10210W0002454R1	CU	7/1/2010	7/28/2010	($5,146.34)	($4,474.99)	REVERSED
10210W0002454R2	CU	7/1/2010	7/28/2010	($5,146.34)	($4,474.99)	REVERSED
10273W0004213	CU	7/30/2010	7/31/2010	$354.92	$308.62	PAID
10273W0004213A1	CU	7/30/2010	7/31/2010	$354.92	$0.00	PAID
10273W0004213R1	CU	7/30/2010	7/31/2010	($354.92)	($308.62)	REVERSED
10273W0004589	DC	7/30/2010	7/31/2010	$354.92	$308.62	PAID
10273W0004589A1	DC	7/30/2010	7/31/2010	$354.92	$0.00	PAID
10273W0004589R1	DC	7/30/2010	7/31/2010	($354.92)	($308.62)	REVERSED
10210W0002489	DC	7/1/2010	7/29/2010	$5,146.34	$3,920.62	PAID
10210W0002489A1	DC	7/1/2010	7/29/2010	$5,146.34	$3,920.62	PAID
10210W0002489R1	DC	7/1/2010	7/29/2010	($5,146.34)	($3,920.62)	REVERSED
10210W0002536	HA	7/1/2010	7/29/2010	$5,146.34	$4,474.99	PAID
10210W0002536A1	HA	7/1/2010	7/29/2010	$5,146.34	$0.00	DENIED
10210W0002536A2	HA	7/1/2010	7/29/2010	$5,146.34	$4,474.99	PAID
10210W0002536A3	HA	7/1/2010	7/29/2010	$5,146.34	$3,846.67	PAID
10210W0002536R1	HA	7/1/2010	7/29/2010	($5,146.34)	($4,474.99)	REVERSED
10210W0002536R2	HA	7/1/2010	7/29/2010	($5,146.34)	($4,474.99)	REVERSED
10210W0002536R3	HA	7/1/2010	7/29/2010	($5,146.34)	($3,846.67)	REVERSED
10273W0004715	HA	7/30/2010	7/31/2010	$354.92	$308.62	PAID
10273W0004715A1	HA	7/30/2010	7/31/2010	$354.92	$0.00	PAID
10273W0004715A2	HA	7/1/2010	7/31/2010	$5,502.19	$3,867.44	PAID
10273W0004715R1	HA	7/30/2010	7/31/2010	($354.92)	($308.62)	REVERSED
10273W0004715R2	HA	7/30/2010	7/31/2010	($354.92)	$0.00	REVERSED
10273W0004831	HA	7/30/2010	7/31/2010	$354.92	$308.62	PAID
10273W0004831A1	HA	7/30/2010	7/31/2010	$354.92	$0.00	PAID
10273W0004831R1	HA	7/30/2010	7/31/2010	($354.92)	($308.62)	REVERSED
10210W0002588	HA	7/1/2010	7/29/2010	$5,146.34	$3,640.37	PAID
10210W0002588A1	HA	7/1/2010	7/29/2010	$5,146.34	$3,640.37	PAID
10210W0002588R1	HA	7/1/2010	7/29/2010	($5,146.34)	($3,640.37)	REVERSED

Name	Begin Dt	End Dt	SOC taken out	SOC actual	Days	Paid	Rate pd	Actual Rate	over/short
Ac, M	5/29/2010	5/31/2010	$0.00	$0.00	3	462.93	154.31	155.43	-3.36
Ac, M	6/1/2010	6/10/2010	$0.00	$637.70	10	1,671.30	167.13	155.43	754.70
Ac, M	6/11/2010	6/30/2010	$0.00	$0.00	20	3,342.60	167.13	155.43	234.00
Ac, M	7/1/2010	7/29/2010	$637.70	$637.70	29	4,133.67	164.53	156.93	220.40
Ac, M	7/30/2010	7/31/2010	$0.00	$0.00	2	0.00	0.00	156.93	-313.86
Ac, M	8/1/2010	8/31/2010	$637.70	$637.70	31	4,206.36	156.26	156.93	-20.77
Ac, M	9/1/2010	9/30/2010	$637.70	$637.70	30	4,050.10	156.26	156.93	-20.10
Ac, M	10/1/2010	10/31/2010	$637.70	$637.70	31	4,265.26	158.16	158.16	0.00
Ac, M	11/1/2010	11/30/2010	$637.70	$637.70	30	4,107.10	158.16	158.16	0.00
Ac, M	12/1/2010	12/31/2010	$637.70	$637.70	31	4,265.26	158.16	158.16	0.00
Ba, J	5/29/2010	5/31/2010	$0.00	$0.00	3	462.93	154.31	155.14	-2.49
Ba, J	6/1/2010	6/30/2010	$0.00	$1,305.00	30	4,629.30	154.31	155.14	1,280.10
Ba, J	7/1/2010	7/29/2010	$1,305.00	$1,305.00	29	3,539.06	167.04	156.93	293.09
Ba, J	7/30/2010	7/31/2010	$0.00	$0.00	2	0.00	0.00	156.93	-313.86
Ba, J	8/1/2010	8/31/2010	$1,305.00	$1,305.00	31	3,539.06	156.26	156.93	-20.77
Ba, J	9/1/2010	9/30/2010	$1,305.00	$1,305.00	30	3,382.80	156.26	156.93	-20.10
Ba, J	10/1/2010	10/11/2010	$1,305.00	$1,305.00	11	434.76	158.16	156.93	13.53
Be, C	5/29/2010	5/31/2010	$0.00	$0.00	3	462.93	154.31	155.14	-2.49
Be, C	6/1/2010	6/15/2010	$0.00	$1,571.41	15	2,314.65	154.31	155.14	1,558.96
Be, C	6/16/2010	6/30/2010	$0.00	$0.00	15	2,314.65	154.31	155.14	-12.45
Be, C	7/1/2010	7/29/2010	$1,571.41	$1,571.41	29	2,960.13	156.26	156.93	-19.43
Be, C	7/30/2010	7/31/2010	$0.00	$0.00	2	312.52	156.26	156.93	-1.34
Be, C	8/1/2010	8/31/2010	$1,571.41	$1,571.41	31	3,272.65	156.26	156.93	-20.77
Be, C	9/1/2010	9/30/2010	$1,571.41	$1,571.41	30	3,116.39	156.26	156.93	-20.10
Be, C	10/1/2010	10/31/2010	$1,571.41	$1,571.41	31	3,331.55	158.16	158.16	0.00
Be, C	11/1/2010	11/30/2010	$1,571.41	$1,571.41	30	3,173.39	158.16	158.16	0.00
Be, C	12/1/2010	12/11/2010	$1,571.41	$1,571.41	11	168.35	158.16	158.16	0.00
Co, A	5/29/2010	5/31/2010	$0.00	$0.00	3	0.00	0.00	155.14	-465.42
Co, A	6/1/2010	6/15/2010	$0.00	$0.00	15	2,467.95	164.53	155.14	140.85
Co, A	6/16/2010	6/30/2010	$0.00	$0.00	15	2,314.65	154.31	155.14	-12.45
Co, A	7/1/2010	7/29/2010	$0.00	$0.00	29	4,531.54	156.26	156.93	-19.43
Co, A	7/30/2010	7/31/2010	$0.00	$0.00	2	312.52	156.26	156.93	-1.34
Co, A	8/1/2010	8/31/2010	$0.00	$0.00	31	4,844.06	156.26	156.93	-20.77
Co, A	9/1/2010	9/30/2010	$0.00	$0.00	30	4,687.80	156.26	156.93	-20.10
Co, A	10/1/2010	10/31/2010	$0.00	$0.00	31	4,902.96	158.16	158.16	0.00
Co, A	11/1/2010	11/30/2010	$0.00	$0.00	30	4,744.80	158.16	158.16	0.00
Co, A	12/1/2010	12/31/2010	$0.00	$0.00	31	4,902.96	158.16	158.16	0.00
Co, F	5/29/2010	5/31/2010	$0.00	$0.00	3	462.93	154.31	155.14	-2.49
Co, F	6/1/2010	6/30/2010	$0.00	$0.00	30	4,629.30	154.31	155.14	-24.90
Co, F	7/1/2010	7/31/2010	$0.00	$0.00	31	4,844.06	156.26	156.93	-20.77
Co, F	8/1/2010	8/31/2010	$0.00	$0.00	31	4,844.06	156.26	156.93	-20.77
Co, F	9/1/2010	9/30/2010	$0.00	$0.00	30	4,687.80	156.26	156.93	-20.10
Co, F	10/1/2010	10/31/2010	$0.00	$0.00	31	4,902.96	158.16	158.16	0.00
Co, F	11/1/2010	11/30/2010	$0.00	$0.00	30	4,744.80	158.16	158.16	0.00
Co, F	12/1/2010	12/31/2010	$0.00	$0.00	31	4,902.96	158.16	158.16	0.00
Co, B	5/29/2010	5/31/2010	$0.00	$0.00	3	462.93	154.31	155.14	-2.49

Co, B	6/1/2010	6/15/2010	$426.20	$579.00	15	1,888.45	154.31	155.14	140.35
Co, B	6/16/2010	6/30/2010	$0.00	$0.00	15	2,314.65	154.31	155.14	-12.45
Co, B	7/1/2010	7/29/2010	$339.09	$579.00	29	4,191.87	156.24	156.93	219.90
Co, B	7/30/2010	7/31/2010	$0.00	$0.00	2	0.00	0.00	156.93	-313.86
Co, B	8/1/2010	8/31/2010	$579.00	$579.00	31	4,264.56	156.24	156.93	-21.27
Co, B	9/1/2010	9/30/2010	$579.00	$579.00	30	4,108.30	156.24	156.93	-20.60
Co, B	10/1/2010	10/31/2010	$579.00	$579.00	31	4,323.46	158.14	158.16	-0.50
Co, B	11/1/2010	11/30/2010	$579.00	$579.00	30	4,157.80	157.89	158.16	-8.00
Co, B	12/1/2010	12/31/2010	$579.00	$579.00	31	4,315.96	157.90	158.16	-8.00