

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**ARIZONA DID NOT ALWAYS VERIFY
CORRECTION OF DEFICIENCIES
IDENTIFIED DURING SURVEYS OF
NURSING HOMES PARTICIPATING IN
MEDICARE AND MEDICAID**

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for Audit Services

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Office of Inspector General

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EXECUTIVE SUMMARY

Arizona did not verify correction of an estimated 56 percent of deficiencies identified during surveys in 2014 of nursing homes participating in the Medicare and Medicaid programs.

WHY WE DID THIS REVIEW

Federal regulations require nursing and skilled nursing facilities (nursing homes) to submit correction plans to the Centers for Medicare & Medicaid Services (CMS) or to their respective State survey agency for certain deficiencies identified during surveys, such as nursing homes' failure to provide necessary care and services. State survey agencies must verify the correction of identified deficiencies by obtaining evidence of correction or through onsite reviews. Previous Office of Inspector General reviews found that the State survey agencies in California and Washington did not verify that selected nursing homes had corrected identified deficiencies. This review of the State survey agency in Arizona is part of an ongoing series of reviews of States' verification of correction of deficiencies.

Our objective was to determine whether the Arizona Department of Health Services, Division of Licensing Services, Bureau of Long-Term Care Licensing (State agency), verified nursing homes' correction of deficiencies identified during surveys in calendar year (CY) 2014 in accordance with Federal requirements.

BACKGROUND

Nursing homes participating in the Medicare and Medicaid programs must meet certain specified requirements (Federal participation requirements), which cover such areas as quality of care, nursing services, and infection control. The State survey agency must conduct standard surveys to determine whether nursing homes are in compliance with Federal participation requirements. A standard survey is a periodic inspection to gather information about the quality of resident care furnished in a nursing home. A nursing home's noncompliance with a Federal participation requirement is defined as a deficiency. The State survey agency must report to nursing homes and CMS each deficiency identified during a survey, including the seriousness of the deficiency (known as the deficiency rating, which ranges from *A* through *L*). *A*-rated deficiencies are the least serious, and *L*-rated deficiencies are the most serious.

For all deficiencies except those rated *A*, nursing homes must submit correction plans for approval to the State survey agency or CMS. After a correction plan is submitted, the State survey agency or CMS must certify whether a nursing home is in substantial compliance with Federal participation requirements. A nursing home is in substantial compliance when identified deficiencies have the ratings *A* through *C*, which represent no greater risk than potential for minimal harm to resident health and safety.

The State survey agency must determine whether a nursing home is in substantial compliance by verifying correction of the identified deficiencies through obtaining evidence of correction (such as invoices verifying purchases or repairs or sign-in sheets verifying attendance of staff at inservice training) or conducting an onsite review (followup survey). Deficiencies rated *B* or *C*

do not require verification of correction. The deficiency rating guides which verification method the State survey agency uses. For less serious deficiencies (with the ratings *D* or *E*, or *F* without substandard quality of care), the State survey agency may accept the nursing home's evidence of correction in lieu of conducting a followup survey to determine substantial compliance. For more serious deficiencies (with the ratings *G* through *L*, or *F* with substandard quality of care), the State survey agency must conduct a followup survey to determine substantial compliance.

During CY 2014, the State agency had approximately 10 to 15 surveyors to conduct surveys of 144 homes.

HOW WE CONDUCTED THIS REVIEW

According to CMS's deficiency data, the State agency identified 812 deficiencies that required a correction plan during CY 2014. We excluded from our review 162 deficiencies that (1) were not directly related to resident health services; (2) were identified at nursing homes not under the State agency's jurisdiction; or (3) had the ratings *B* or *C*, which did not require verification of correction. The remaining 650 deficiencies had ratings that required the State agency to verify correction by either obtaining evidence of correction (602 deficiencies) or conducting a followup survey (48 deficiencies). We selected a stratified random sample of 100 deficiencies and reviewed State agency documentation to determine whether the State agency had verified the nursing homes' correction of the sampled deficiencies. We also interviewed State agency officials and employees regarding survey operations, quality assurance, and training.

WHAT WE FOUND

The State agency did not always verify nursing homes' correction of deficiencies identified during surveys in CY 2014 in accordance with Federal requirements. For the 100 sampled deficiencies, the State agency verified the nursing homes' correction of 58 deficiencies but did not obtain the nursing homes' evidence of correction for the remaining 42 deficiencies, which all had *D* or *E* ratings. On the basis of our sample results, we estimated that the State agency did not verify nursing homes' correction of deficiencies in accordance with Federal requirements for 361 (56 percent) of the 650 deficiencies identified during surveys in CY 2014. The State agency's practice for less serious deficiencies was to accept the nursing homes' correction plans as confirmation of substantial compliance without obtaining the required evidence of correction.

WHAT WE RECOMMEND

We recommend that the State agency improve its practices for verifying nursing homes' correction of identified deficiencies by obtaining nursing homes' evidence of correction for less serious deficiencies.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our finding and recommendation and provided information on actions that it had taken or planned to take to address our recommendation.

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INTRODUCTION

WHY WE DID THIS REVIEW

Federal regulations require nursing and skilled nursing facilities (nursing homes) to submit correction plans to the Centers for Medicare & Medicaid Services (CMS) or to their respective State survey agency for certain deficiencies identified during surveys, such as nursing homes' failure to provide necessary care and services. State survey agencies must verify the correction of identified deficiencies by obtaining evidence of correction or through onsite reviews. Previous Office of Inspector General (OIG) reviews found that the State survey agencies in California and Washington did not verify that selected nursing homes had corrected identified deficiencies. This review of the State survey agency in Arizona is part of an ongoing series of reviews of States' verification of correction of deficiencies. (Appendix A lists related OIG reports on nursing home compliance issues.)

OBJECTIVE

Our objective was to determine whether the Arizona Department of Health Services, Division of Licensing Services, Bureau of Long-Term Care Licensing (State agency), verified nursing homes' correction of deficiencies identified during surveys in calendar year (CY) 2014 in accordance with Federal requirements.

BACKGROUND

Medicare and Medicaid Coverage of Nursing Homes

The Medicare and Medicaid programs cover care in skilled nursing and nursing facilities, respectively, for eligible beneficiaries in need of nursing services, specialized rehabilitation services, medically related social services, pharmaceutical services, and dietary services. Sections 1819 and 1919 of the Social Security Act (the Act) provide that nursing homes participating in the Medicare and Medicaid programs, respectively, must meet certain specified requirements (Federal participation requirements), such as quality of care, nursing services, and infection control. These sections also establish requirements for CMS and States to survey nursing homes to determine whether they meet Federal participation requirements. For both Medicare and Medicaid, these statutory participation and survey requirements are implemented in Federal regulations at 42 CFR part 483, subpart B, and 42 CFR part 488, subpart E, respectively.

Standard and Complaint Surveys of Nursing Homes

The Secretary of Health and Human Services must use the State health agency, or other appropriate State agency, to determine whether nursing homes meet Federal participation requirements (the Act § 1864(a)). Further, the State must use the same State agency to determine whether nursing homes meet the participation requirements in the State Medicaid plan (the Act § 1902(a)(33)).

Under an agreement with the Secretary, the State agency must conduct standard surveys to determine whether nursing homes are in compliance with Federal participation requirements¹ (42 CFR § 488.305(a) and § 7200 of CMS's *State Operations Manual* (the Manual), Pub. No. 100-07). A standard survey is a periodic nursing home inspection, using procedures specified in the Manual, that focuses on a sample of residents selected by the State survey agency to gather information about the quality of resident care furnished to Medicare or Medicaid beneficiaries in a nursing home. A standard survey must be conducted at least once every 15 months (42 CFR § 488.308(a)).

The State survey agency must review all nursing home complaint allegations (42 CFR § 488.308(e)(2)).² Depending on the outcome of the review, the State survey agency may conduct a standard survey or an abbreviated standard survey (complaint survey) to investigate noncompliance with Federal participation requirements. A nursing home's noncompliance with a Federal participation requirement is defined as a deficiency (42 CFR § 488.301). Examples of deficiencies include a nursing home's failure to adhere to proper infection control measures or failure to provide necessary care and services.

Deficiencies and Deficiency Ratings

The State survey agency must report each deficiency identified during a survey on the appropriate CMS form³ and provide the form to the nursing home and CMS. These forms include (1) a statement describing the deficiency, (2) a citation of the specific Federal participation requirement that was not met, and (3) a rating for the seriousness of the deficiency (deficiency rating).

The State survey agency must determine the deficiency rating using severity and scope components (42 CFR § 488.404(b)). Each deficiency is given a letter rating of A through L, which corresponds to a severity and scope level. (A-rated deficiencies are the least serious, and L-rated deficiencies are the most serious.) Severity is the degree of or potential for resident harm and has four levels, beginning with the most severe: (1) immediate jeopardy to resident health or safety, (2) actual harm that is not immediate jeopardy, (3) no actual harm with potential for more than minimal harm, and (4) no actual harm with potential for minimal harm. Scope is the number of residents affected or pervasiveness of the deficiency in the nursing home and has three levels: (1) isolated, (2) pattern, and (3) widespread. The Manual provides information on the severity and scope levels used to determine the deficiency rating (§ 7400.5.1). Table 1 on the following page shows the letter for each deficiency rating and its severity and scope levels.

¹ CMS and the State survey agency certify compliance with Federal participation requirements for State-operated and non-State-operated nursing homes, respectively (42 CFR § 488.330).

² An allegation of improper care or treatment of beneficiaries at a nursing home may come from a variety of sources, including beneficiaries, family members, and health care providers.

³ Form CMS-2567, Statement of Deficiencies and Plan of Correction, is used for all deficiencies except those determined to be isolated and with the potential for minimal harm. For these deficiencies, Form A, Statement of Isolated Deficiencies Which Cause No Harm with Only a Potential for Minimal Harm, is used.

Table 1: Severity and Scope Levels for Deficiency Ratings

SEVERITY	SCOPE		
	Isolated	Pattern	Widespread
Immediate jeopardy to resident health or safety	J	K	L
Actual harm that is not immediate jeopardy	G	H	I
No actual harm with potential for more than minimal harm but not immediate jeopardy	D	E	F
No actual harm with potential for minimal harm	A	B	C

Correction Plans

Nursing homes must submit for approval correction plans to the State survey agency or CMS for all deficiencies except A-rated deficiencies (with the severity level of no actual harm with potential for minimal harm and the scope level of isolated) (42 CFR § 488.402(d)). An acceptable correction plan must specify exactly how the nursing home corrected or plans to correct each deficiency (the Manual § 7304.4). Nursing homes use Form CMS-2567, Statement of Deficiencies and Plan of Correction, to submit correction plans.

After a nursing home submits a correction plan, the State survey agency or CMS must certify whether the nursing home is in substantial compliance with Federal participation requirements (the Manual § 7317.1).⁴ A nursing home is in substantial compliance when identified deficiencies have ratings that represent no greater risk than potential for minimal harm to resident health and safety (A, B, or C). The State survey agency must determine whether there is substantial compliance by verifying correction of the identified deficiencies through obtaining evidence of correction⁵ or conducting an onsite review (followup survey).⁶ The deficiency rating guides which verification method the State survey agency uses. For less serious deficiencies (with the ratings D or E, or F without substandard quality of care), the State survey agency may accept the nursing home’s evidence of correction in lieu of conducting a followup survey to determine substantial compliance. For more serious deficiencies (with the ratings G through L, or F with substandard quality of care), the State survey agency must conduct a followup survey to determine substantial compliance.

⁴ The State survey agency provides the certification information to CMS on Form CMS-1539, Medicare/Medicaid Certification and Transmittal (the Manual § 2762).

⁵ Examples of evidence of correction include sign-in sheets of those attending inservice training and interviews with training participants.

⁶ The State survey agency is not required to verify the correction of deficiencies with the ratings B or C; however, correction plans are still required for deficiencies with those ratings.

Arizona State Agency

In Arizona, the State agency determines whether nursing homes meet Federal participation requirements and recommends to CMS whether nursing homes should be certified for participation in the Medicare and Medicaid programs. During CY 2014, the State agency had approximately 10 to 15 surveyors to conduct surveys of 144 nursing homes.

HOW WE CONDUCTED THIS REVIEW

According to CMS's deficiency data, the State agency identified 812 deficiencies that required a correction plan during CY 2014. We excluded from our review 162 deficiencies that (1) were not directly related to resident health services; (2) were identified at nursing homes not under the State agency's jurisdiction; or (3) had the ratings *B* or *C*, which did not require verification of correction. The remaining 650 deficiencies had ratings that required the State agency to verify correction by either obtaining evidence of correction (602 deficiencies) or conducting a followup survey (48 deficiencies). We selected a stratified random sample of 100 deficiencies and reviewed State agency documentation to determine whether the State agency had verified the nursing homes' correction of the sampled deficiencies. We also interviewed State agency officials and employees regarding survey operations, quality assurance, and training.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B describes our audit scope and methodology, Appendix C describes our statistical sampling methodology, and Appendix D contains our sample results and estimates.

FINDING

The State agency did not always verify nursing homes' correction of deficiencies identified during surveys in CY 2014 in accordance with Federal requirements. For the 100 sampled deficiencies, the State agency verified the nursing homes' correction of 58 deficiencies but did not obtain the nursing homes' evidence of correction for the remaining 42 deficiencies, which all had *D* or *E* ratings.⁷ On the basis of our sample results, we estimated that the State agency did not verify nursing homes' correction of deficiencies in accordance with Federal requirements for 361 (56 percent) of the 650 deficiencies identified during surveys in CY 2014. The State agency's practice for less serious deficiencies was to accept the nursing homes' correction plans as confirmation of substantial compliance without obtaining the required evidence of correction.

⁷ Of these 42 deficiencies, the correction plans for 2 deficiencies also did not comply with Federal requirements. Specifically, because of an oversight, the State agency did not have documentation that it obtained the correction plan for one deficiency and did not ensure that the correction plan for another deficiency addressed all five corrective action elements as required by section 7304.4 of the Manual.

FEDERAL REQUIREMENTS

For deficiencies rated *D* or *E*, or *F* not involving substandard quality of care, the State survey agency has the option to accept evidence of correction to confirm substantial compliance in lieu of conducting a followup survey (i.e., an onsite review) (the Manual § 7300.3). However, the State agency must conduct a followup survey to determine whether a nursing home is in substantial compliance for deficiencies rated *G* through *L*, or *F* involving substandard quality of care (the Manual § 7300.3).

Section 7317.1 of the Manual states: “While the plan of correction serves as the facility’s allegation of compliance in non-immediate jeopardy cases, substantial compliance cannot be certified and any remedies imposed cannot be lifted until facility compliance has been verified.”

Section 7317.2 of the Manual lists examples of acceptable evidence of a nursing home’s correction of a deficiency, which include invoices verifying purchases or repairs, sign-in sheets verifying attendance of staff at inservice training, or interviews with more than one training participant about training.

Section I of Appendix P of the Manual states: “The [followup survey] is an onsite visit intended to verify correction of deficiencies cited in a prior survey.”

Section II.B.3 of Appendix P of the Manual states:

In accordance with §7317 [of the Manual], the State agency conducts a revisit, as applicable, to confirm that the facility is in compliance and has the ability to remain in compliance. The purpose of the [followup survey] is to re-evaluate the specific care and services that were cited as noncompliant during the original standard, abbreviated standard, extended or partial extended survey(s). Ascertain the status of corrective actions being taken on all requirements not in substantial compliance.

THE STATE AGENCY DID NOT OBTAIN NURSING HOMES’ EVIDENCE OF CORRECTION OF SOME DEFICIENCIES

On the basis of our review of documentation provided by the State agency, we found that the State agency accepted the nursing homes’ correction plans without obtaining evidence of correction for 42 sampled deficiencies. These deficiencies had *D* or *E* ratings, which required the State agency to obtain, at a minimum, evidence of correction from the nursing homes before certifying their substantial compliance with Federal participation requirements.⁸

For example, on March 27, 2014, the State agency completed a nursing home survey and identified several deficiencies, including a *D*-rated deficiency related to resident behavior and facility practices. The surveyor noted: “Based on clinical record review, facility documentation,

⁸ For 2 of the 42 deficiencies, the State agency conducted a followup survey instead of obtaining evidence of correction. However, there was no documentation that the State agency had verified the correction of the two deficiencies during its followup surveys.

staff interviews, and policy review, the facility failed to ensure that one resident ... was free from a physical restraint imposed by a certified nursing assistant”

To address this deficiency, the nursing home listed two corrective actions in its correction plan. The first corrective action was the termination of the certified nursing assistant involved in the deficient practice. The second corrective action was the following: “Staff was in-serviced on the facility’s policy on the use of restraints immediately following the incident and will be in-serviced again at the all staff meeting.” However, the State agency did not have documentation to show that the nursing home had terminated the certified nursing assistant and did not have training sign-in sheets to support that the nursing home had provided the training.

On the basis of our sample results, we estimated that the State agency did not verify nursing homes’ correction of deficiencies in accordance with Federal requirements for 361 (56 percent) of the 650 deficiencies identified during surveys in CY 2014.

The State agency’s practice for addressing less serious deficiencies did not comply with Federal requirements. Specifically, a State agency official explained that the practice for less serious deficiencies was to accept the nursing homes’ correction plans as confirmation of substantial compliance without obtaining from the nursing homes the required evidence of correction of deficiencies.⁹

RECOMMENDATION

We recommend that the State agency improve its practices for verifying nursing homes’ correction of identified deficiencies by obtaining nursing homes’ evidence of correction for less serious deficiencies.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency concurred with our finding and recommendation and provided information on actions that it had taken or planned to take to address our recommendation.

The State agency’s comments appear in their entirety as Appendix E.

⁹ However, if a nursing home had serious deficiencies in addition to the less serious deficiencies, the State agency would verify the correction of both types of deficiencies during its followup survey.

APPENDIX A: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
<i>Oregon Properly Verified Correction of Deficiencies Identified During Surveys of Nursing Homes Participating in Medicare and Medicaid</i>	<u>A-09-16-02007</u>	3/14/2016
<i>Washington State Did Not Always Verify Correction of Deficiencies Identified During Surveys of Nursing Homes Participating in Medicare and Medicaid</i>	<u>A-09-13-02039</u>	7/9/2015
<i>Nursing Facilities' Compliance With Federal Regulations for Reporting Allegations of Abuse or Neglect</i>	<u>OEI-07-13-00010</u>	8/15/2014
<i>CMS's Reliance on California's Licensing Surveys of Nursing Homes Could Not Ensure the Quality of Care Provided to Medicare and Medicaid Beneficiaries</i>	<u>A-09-12-02037</u>	6/4/2014
<i>Adverse Events in Skilled Nursing Facilities: National Incidence Among Medicare Beneficiaries</i>	<u>OEI-06-11-00370</u>	2/27/2014
<i>Skilled Nursing Facilities Often Fail To Meet Care Planning and Discharge Planning Requirements</i>	<u>OEI-02-09-00201</u>	2/27/2013
<i>Federal Survey Requirements Not Always Met for Three California Nursing Homes Participating in the Medicare and Medicaid Programs</i>	<u>A-09-11-02019</u>	2/27/2012
<i>Unidentified and Unreported Federal Deficiencies in California's Complaint Surveys of Nursing Homes Participating in the Medicare and Medicaid Programs</i>	<u>A-09-09-00114</u>	9/21/2011

APPENDIX B: AUDIT SCOPE AND METHODOLOGY

SCOPE

According to CMS's deficiency data, the State agency identified 812 deficiencies that required a correction plan during CY 2014. We excluded from our review 162 deficiencies that (1) were not directly related to resident health services; (2) were identified at nursing homes not under the State agency's jurisdiction; or (3) had the ratings *B* or *C*, which did not require verification of correction. The remaining 650 deficiencies had ratings that required the State agency to verify correction by either obtaining evidence of correction (602 deficiencies) or conducting a followup survey (48 deficiencies). We selected for review a stratified random sample of 100 deficiencies.

We did not review the overall internal control structure of the State agency or the nursing homes associated with the selected sample items. Rather, we reviewed only those internal controls related to our objective.

We conducted our audit from January to June 2016 and performed fieldwork at the State agency's office in Phoenix, Arizona.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws, regulations, and guidance;
- interviewed CMS officials to gain an understanding of the State agency's oversight responsibilities for nursing homes and CMS's guidance to the State agency regarding verification of corrections of deficiencies identified during nursing home surveys;
- interviewed State agency officials and employees regarding survey operations, quality assurance, and training;
- obtained from CMS a database containing 812 deficiencies¹⁰ that required a correction plan and were identified during standard and complaint surveys of Arizona nursing homes in CY 2014;
- removed 162 deficiencies that:
 - were not directly related to resident health services,¹¹
 - were not under the State agency's jurisdiction, or

¹⁰ This figure does not include A-rated deficiencies.

¹¹ We excluded deficiencies that were related to residents' rights; admission, transfer, and discharge rights; and administration.

- had the ratings *B* or *C* (not requiring verification of correction);
- developed a stratified random sample from the remaining 650 deficiencies by:
 - creating 2 strata, representing deficiencies that required the State agency to obtain, at a minimum, evidence of correction (stratum 1) and that required the State agency to conduct a followup survey (stratum 2) and
 - selecting a total of 100 sample units, consisting of 70 sample units from stratum 1 and 30 sample units from stratum 2;
- reviewed State agency documentation for each sampled deficiency to determine whether the State agency had verified the nursing home's correction of the deficiency;¹²
- estimated the number and percentage of deficiencies in the sampling frame for which the State agency did not verify the nursing homes' correction in accordance with Federal requirements; and
- discussed the results of our review with State agency officials.

See Appendix C for the details of our statistical sampling methodology and Appendix D for our sample results and estimates.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹² Documentation included surveyor notes and training sign-in sheets, if available.

APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

POPULATION

The population consisted of all health deficiencies identified during nursing home surveys conducted by the State agency in CY 2014 and that required the State agency to verify the correction of deficiencies.

SAMPLING FRAME

We obtained from CMS a Microsoft Excel spreadsheet containing 812 deficiencies that required a correction plan and were identified during standard and complaint surveys of Arizona nursing homes in CY 2014. CMS extracted the data from the Certification and Survey Provider Enforcement Reporting system. We then removed 162 deficiencies as shown in Table 2.

Table 2: Deficiencies Removed

Reason for Removing Deficiencies	No. of Deficiencies Removed
Not directly related to resident health services	105
Not under the State agency's jurisdiction	36
Had the ratings <i>B</i> or <i>C</i> (not requiring verification of correction)	21
Total	162

After we removed these deficiencies, the sampling frame consisted of 650 deficiencies.

SAMPLE UNIT

The sample unit was a health deficiency that was identified during a nursing home survey in CY 2014 and that required the State agency to verify the correction.

SAMPLE DESIGN

We used a stratified random sample containing two strata. Table 3 details the deficiency ratings and number of deficiencies in each stratum.

Table 3: Number of Deficiencies in Each Stratum

Stratum	Description	No. of Deficiencies
1	Deficiencies with ratings of <i>D</i> or <i>E</i> , or <i>F</i> without substandard quality of care	602
2	Deficiencies with ratings of <i>G</i> through <i>L</i> , or <i>F</i> with substandard quality of care	48
Total		650

SAMPLE SIZE

We selected a total of 100 sample units, consisting of 70 sample units from stratum 1 and 30 sample units from stratum 2.

SOURCE OF RANDOM NUMBERS

We generated the random numbers for each stratum using the OIG, Office of Audit Services (OAS), statistical software.

METHOD FOR SELECTING SAMPLE UNITS

We consecutively numbered the sample units in each stratum. After generating random numbers for each stratum, we selected the corresponding frame items.

ESTIMATION METHODOLOGY

We used the OIG, OAS, statistical software to estimate the statewide number and percentage of deficiencies for which the State agency did not verify the nursing homes' correction of deficiencies in accordance with Federal requirements.

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

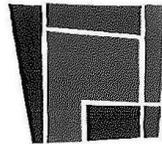
Table 4: Sample Results

Stratum	No. of Deficiencies	Sample Size	No. of Deficiencies Not Verified by the State Agency
1	602	70	42
2	48	30	0
Total	650	100	42

Table 5: Estimated Statewide Number and Percentage of Deficiencies Not Verified by the State Agency
(Limits Calculated at the 90-Percent Confidence Level)

	No. of Deficiencies Not Verified	Percentage of Deficiencies Not Verified
Point estimate	361	56%
Lower limit	306	47%
Upper limit	416	64%

APPENDIX E: STATE AGENCY COMMENTS



ARIZONA DEPARTMENT
OF HEALTH SERVICES

LICENSING

September 7, 2016

Lori A. Ahlstrand
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Office of Audit Services, Region IX
90 7th Street, Suite 3-650
San Francisco, CA 94103

Dear Ms. Ahlstrand,

Thank you for the opportunity to review and comment on the Office of Inspector General's draft audit report dated August 8, 2016 entitled "Arizona Did Not Always Verify Correction of Deficiencies Identified During Surveys of Nursing Homes Participating in Medicare and Medicaid."

The Arizona Department of Health Services, Division of Public Health Licensing has reviewed the draft report and we are in concurrence with the recommendations. The Department's corrective action plan is attached.

The findings and recommendation from the audit were taken seriously and we took immediate steps while the auditors were on site to correct the deficiencies and our process. Feedback such as this is always value added as we seek to improve the surveying of nursing homes.

Again, thank you for the opportunity to respond. If you have additional questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Bower'.

Colby Bower
Assistant Director Licensing
Arizona Department of Health Services

Douglas A. Ducey | Governor Cara M. Christ, MD, MS | Director

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Health and Wellness for all Arizonans

Arizona Department of Health Services
Arizona State Agency Response to Office of Inspector General Audit
Report Number: A-09-16-02013

Finding: The State Agency (SA) did not always verify nursing homes' correction of deficiencies identified during surveys in CY 2014 in accordance with Federal requirements. The SA's practice for less serious deficiencies was to accept the nursing homes' correction plans as confirmation of substantial compliance without obtaining the required evidence of correction of deficiencies.

State Agency Response: Arizona has reviewed the documentation provided and agrees with the finding.

Improvement Plan:

1. Once the audit finding was shared at the exit conference, the SA immediately revised the operational procedure for verifying correction of deficiencies in accordance with the State Operations Manual (SOM).
2. The SA reviewed the SOM guidance regarding the required evidence of correction for substantial compliance to verify correction and acceptance of the correction plan with the Correction Plan Review Staff.
3. Ongoing compliance with this process will be monitored by the Bureau Chief through the internal quality assurance system to ensure verification of correction of deficiencies is evidenced when determining the Plans of Correction confirmation of substantial compliance.