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**INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF
NORTHEAST CLINICAL SERVICES, INC.
JULY 1, 2007 TO DECEMBER 31, 2008**

**OFFICIAL AUDIT
REPORT
MAY 11, 2009**

TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION

1

Northeast Clinical Services (NCS), an affiliate of North Shore Association for Retarded Citizens, Inc., was established in 2003 as a 501(c)(3) not-for-profit Medicare/Medicaid certified home health care agency. NCS, which is located in Danvers, offers continuous care nursing as well as skilled intermittent home health care services to patients suffering with various illnesses, physical ailments, and social limitations. NCS was approved for operation by the former Division of Medical Assistance (currently known as MassHealth) and must operate in accordance with 130 Code of Massachusetts Regulations (CMR) 403, which specifies the requirements for providers of home health care services. During our audit period, NCS employed approximately 200 full-time and part-time health care professionals and paraprofessionals, and received approximately \$5 million from MassHealth for home health care services that it provided to eligible residents of Essex and Middlesex counties.

The scope of our audit was to determine whether NCS submitted allowable claims for home health care services for the period July 1, 2007 to December 31, 2008. Our audit was conducted in accordance with generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States and, accordingly, included such procedures and tests as we considered necessary under the circumstances. Our audit procedures consisted of reviewing NCS Medicaid claims for home health care services to ensure that the claims were authorized and supported with required documentation; services were provided as claimed; claims were medically necessary for eligible recipients; and claims were complete, accurate, and in compliance with applicable laws, rules, and regulations. We also reviewed NCS's internal controls over its claims and billing procedures to determine their adequacy.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 18-month period ended December 31, 2008, for the transactions reviewed, NCS submitted claims for home health care services that it was providing to NCS recipients that complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

3

NCS NEEDS TO STRENGTHEN ITS INTERNAL CONTROLS TO ENSURE THAT EACH PATIENT'S PLAN OF CARE IS SIGNED AND RECERTIFIED IN ACCORDANCE WITH STATE REGULATIONS

3

Our review identified that NCS needs to strengthen its internal controls to ensure that each patient's Plan of Care is signed and recertified in accordance with state regulations. Under 130 CMR 403.419, MassHealth requires the attending physician to establish a written plan of care that specifies the nature and frequency of home health care services to be provided to the member, and the type of professional who must provide them. The attending physician is also required to recertify and sign the member's Plan of Care at least every 60 days. Furthermore, the attending physician must sign the Plan of Care before a home health agency such as NCS can submit its claim for those services to MassHealth for payment. However, our review of NCS's patient records found instances

in which the attending physician did not sign the patient's Plan of Care as required by state regulations. During the audit, we brought this matter to the attention of NCS's Chief Operating Officer, who took immediate action to help rectify the problem.

INTRODUCTION

Background

Northeast Clinical Services (NCS), an affiliate of North Shore Association for Retarded Citizens, Inc., was established in 2003 as a 501(c)(3) not-for-profit Medicare/Medicaid certified home health care agency. NCS, which is located in Danvers, offers continuous care nursing (CCN) as well as skilled intermittent home health care services to clients suffering with various illnesses, physical ailments, and social limitations. NCS was approved for operation by the former Division of Medical Assistance (currently known as MassHealth) and must operate in accordance with 130 Code of Massachusetts Regulations (CMR) 403, which specifies the requirements for providers of home health care services. During our audit period, NCS employed approximately 200 full-time and part-time health care professionals and paraprofessionals, and received approximately \$5 million from MassHealth for home health care services that it provided to eligible residents of Essex and Middlesex counties.

NCS's continuous care nursing program offers in-home nursing care in blocks of time ranging from two to 24 hours per day. Most of the program's patients are children under the age of 18 or young adults ranging from 18 years to their mid-20s. The program's nurses care for children and adults whose diagnoses vary widely, including disorders such as leukodystrophy, cerebral palsy, muscular dystrophy, multiple sclerosis, ALS, cardiac disease, and accident-related disabilities.

The skilled intermittent care program consists of traditional Visiting Nurses Association (VNA)-style home visits, usually no more than 30 minutes in length, two to three times per week, that can include services such as nursing, physical therapy, occupational therapy, speech pathology, medical social work, or home health aide. Generally, these services are delivered to an acute patient or one recently discharged from a hospital.

Audit Scope, Objectives, and Methodology

The scope of our audit was to determine whether NCS submitted allowable claims for home health care services during the period July 1, 2007 to December 31, 2008. Our audit was conducted in accordance with generally accepted government auditing standards for performance audits issued by the Comptroller General of the United States and, accordingly, included such procedures and tests as we considered necessary to meet these standards.

Our objectives consisted of the following:

1. To review a sample of NCS Medicaid claims for home health care services submitted by NCS to determine whether:
 - The claims were authorized and supported with required documentation;
 - The services were provided as claimed;
 - The claims were medically necessary for eligible Medicaid recipients; and
 - The claims were complete, accurate, and in compliance with applicable laws, rules, and regulations.
2. To review NCS internal controls over its claims and billing procedures to determine their adequacy.

In order to achieve our objectives, we held discussions with NCS officials; reviewed organization charts, policies, and procedures; and reviewed internal controls over billing procedures and all applicable laws, rules, and regulations. Also, we examined the individual Plan of Care for 25 MassHealth members served by NCS. Finally, we selected a random sample of 61 claims totaling \$29,374 that NCS filed with MassHealth during April 2008.

Our audit was not made for the purposes of forming an opinion on NCS financial statements. We also did not assess the quality and appropriateness of all program services provided by NCS. Rather, our report was intended to report findings and conclusions on the extent of NCS's compliance with applicable laws, rules, and regulations, and to identify services, processes, methods, and internal controls that could be made more efficient and effective.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 18-month period ended December 31, 2008, for the transactions reviewed, NCS submitted claims for home health care services that it was providing to NCS recipients that complied with applicable laws, rules, and regulations for the areas tested.

At the conclusion of our audit, a copy of our draft report was provided to NCS for its review and comments. Subsequently, NCS provided written comments, and our report was amended accordingly to address them.

AUDIT RESULTS

NCS NEEDS TO STRENGTHEN ITS INTERNAL CONTROLS TO ENSURE THAT EACH PATIENT'S PLAN OF CARE IS SIGNED AND RECERTIFIED IN ACCORDANCE WITH STATE REGULATIONS

Our review identified that Northeast Clinical Services (NCS) needs to strengthen its internal controls to ensure that each patient's Plan of Care is signed and recertified in accordance with state regulations. Under 130 Code of Massachusetts Regulations (CMR) 403.419, MassHealth requires the attending physician to establish a written plan of care that specifies the nature and frequency of home health care services to be provided to the member, and the type of professional who must provide them. The attending physician is also required to recertify and sign the member's Plan of Care at least every 60 days. Furthermore, the attending physician must sign the Plan of Care before a home health agency such as NCS can submit its claim for those services to MassHealth for payment. However, our review of patient records found instances in which the attending physician did not sign the patient's Plan of Care as required by state regulations.

During the audit, we examined the individual Plan of Care for 25 MassHealth members served by NCS during fiscal year 2008. Each member's plan contained the health care information required by MassHealth program regulations, including (1) all pertinent diagnoses, types of services, and supplies and equipment ordered; (2) frequency of visits to be made, prognosis, rehabilitation potential, functional limitations, permitted activities, nutritional requirements, medications, and treatments; and (3) any safety measures to prevent injury, discharge plans, and any additional items NCS or the physician chooses to include. However, we identified three instances in which a member's Plan of Care was not properly signed and recertified by the attending physician. In this regard, we compared the attending physician signature on the member's current Plan of Care to the attending physician signature on the member's prior Plans of Care. In two cases, someone other than the attending physician appears to have signed the attending physician's name to a member's Plan of Care. In the third case, someone other than the attending physician signed and recertified the member's plan of care in his/her own name.

During the audit, we brought this matter to the attention of NCS's Chief Operating Officer, who reviewed the documents in question and agreed that the plans in question did not appear to be signed by the attending physician. In addition, he took immediate action to help rectify the

problem. First, the Chief Operating Officer sent a patient-specific letter to those physicians involved that provided an explanation of the issues and the required action/solution for the future. As of the close of our fieldwork, NCS had not received a response from the physicians involved in this matter

Second, in a letter dated April 2, 2009 to all physicians who authorize home health care for NCS patients, the Chief Operating Officer stated, in part:

*The auditors noted a few examples of physicians signing orders addressed to other physicians in the same medical group. There is nothing wrong with that practice as long as it is done properly. If a physician signs another physician's name to the order he/she should then write the word **by** with their own signature underneath. If a physician chooses to sign his/her own name to an order addressed to another member of the group, they should then write the word "**for**" or the phrase "**on behalf of**" followed by the name of the physician the order is made out to. Either of these methods is fine. I would add that the preference is always for the attending physician to sign unless he/she is not available.*

In addition, in February 2009 NCS created a new staff position for quality and education whose responsibilities include such activities as the periodic auditing of client files. NCS's Chief Operating Officer believes that this will help ensure that each Plan of Care is properly signed and recertified by the attending physician.

Recommendation

In addition to the steps it has taken to address this issue, NCS should establish formal policies and procedures relative to ensuring that each patient's Plan of Care is signed and recertified by the attending physician in accordance with 130 CMR 403.419. In addition, NCS should obtain written acknowledgement of this requirement from the three physicians involved in the three Plan of Care signatures in question.

Auditee's Response:

In response to this issue, NCS's Chief Operating Officer stated, in part:

We would agree with the substance of the findings in the report, including the recommendation section. I am personally gratified that your audit found us to be in full compliance with the regulations with the exception of the referenced signatory issue. As your report notes, we took immediate action when this particular matter was called to our attention by the audit team