



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued June 6, 2019

Office of Medicaid (MassHealth)—Review of Claims Paid for Services Provided by Norwood Adult Day Health Center

For the period January 1, 2016 through December 31, 2017





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Making government work better

June 6, 2019

Mr. Reynold G. Spadoni, Executive Director and Chief Executive Officer
Norwood Adult Day Health Center
595 Pleasant Street
Norwood, MA 02062

Dear Mr. Spadoni:

I am pleased to provide this performance audit of Norwood Adult Day Health Center. This report details the audit objective, scope, methodology, findings, and recommendations for the audit period, January 1, 2016 through December 31, 2017. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to Norwood Adult Day Health Center for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular stamp.

Suzanne M. Bump
Auditor of the Commonwealth

cc: Marylou Sudders, Secretary, Executive Office of Health and Human Services
Daniel Tsai, Assistant Secretary and Director, Office of Medicaid
Alda Rego, Assistant Secretary for Administration and Finance, Executive Office of Health and Human Services
Susan Harrison, Director of Program Integrity, Office of Medicaid
Joan Senatore, Director of Compliance, Office of Medicaid
Teresa Reynolds, Executive Assistant to Secretary Sudders

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY	3
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	6
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE.....	8
1. Norwood Adult Day Health Center did not obtain physician orders to support as much as \$92,644 of adult day health services provided to three MassHealth members.....	8
2. NADHC did not always properly document claims submitted to MassHealth by its billing agents to ensure that the correct ADH location was indicated.....	11

LIST OF ABBREVIATIONS

ACO	accountable care organization
ADH	adult day health
ADL	activity of daily living
ASAP	Aging Services Access Point
CMR	Code of Massachusetts Regulations
MMIS	Medicaid Management Information System
NADHC	Norwood Adult Day Health Center
OSA	Office of the State Auditor
SCO	senior care organization

EXECUTIVE SUMMARY

The Office of the State Auditor (OSA) receives an annual appropriation for the operation of a Medicaid Audit Unit to help prevent and identify fraud, waste, and abuse in the Commonwealth's Medicaid program. This program, known as MassHealth, is administered under Chapter 118E of the Massachusetts General Laws by the Executive Office of Health and Human Services, through the Division of Medical Assistance. Medicaid is a joint federal-state program created by Congress in 1965 as Title XIX of the Social Security Act. At the federal level, the Centers for Medicare & Medicaid Services, within the US Department of Health and Human Services, administer the Medicare program and work with state governments to administer state Medicaid programs.

OSA has conducted an audit of MassHealth claims for adult day health (ADH) services paid to Norwood Adult Day Health Center (NADHC) for the period January 1, 2016 through December 31, 2017. During this period, MassHealth paid NADHC approximately \$1,854,494 to provide ADH services for 150 MassHealth members. The purpose of this audit was to determine whether NADHC obtained the required physician orders and clinical authorizations for ADH services for each MassHealth member.

The audit was conducted as part of OSA's ongoing independent statutory oversight of the state's Medicaid program. Our previously issued audit reports have disclosed significant weaknesses in MassHealth's claim-processing system and improper billing practices by MassHealth providers, which resulted in millions of dollars in potentially improper claim payments. As with any government program, public confidence is essential to the success and continued support of the state's Medicaid program.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 8	NADHC did not obtain physician orders to support as much as \$92,644 of ADH services provided to three MassHealth members.
Recommendations Page 9	<ol style="list-style-type: none">1. NADHC should collaborate with MassHealth to determine how much of the \$92,644 discussed in this finding should be repaid.2. NADHC should develop policies and procedures to ensure that completed and authorized physician orders are in place before it provides ADH services to MassHealth members.
Finding 2 Page 11	NADHC did not always properly document claims submitted to MassHealth by its billing agents to ensure that the correct ADH location was indicated.

Recommendation
Page 12

NADHC should enhance its policies and procedures to make sure that it properly monitors claims submitted to MassHealth by its billing agents to ensure that all the claims they submit indicate the locations where services were provided.

OVERVIEW OF AUDITED ENTITY

Under Chapter 118E of the Massachusetts General Laws, the Executive Office of Health and Human Services, through the Division of Medical Assistance, administers the state’s Medicaid program, known as MassHealth. MassHealth provides access to healthcare services to approximately 1.9 million low- and moderate-income children, families, seniors, and people with disabilities annually. In fiscal year 2017, MassHealth paid healthcare providers more than \$15 billion, of which approximately 50% was funded by the Commonwealth. Medicaid expenditures represented approximately 39% of the Commonwealth’s total annual fiscal year 2017 budget of approximately \$39 billion.

Norwood Adult Day Health Center (NADHC) in Norwood, known as Norfolk Adult Day Health before 2015, became a certified MassHealth adult day health (ADH) provider in 1998. NADHC is one of three ADH locations owned and operated by HealthCare Options, Inc., which is located at 10 Emory Street in Attleboro. The other two ADH locations owned by HealthCare Options are Harmony Adult Day Health Center in Lakeville and Mansfield Adult Day Health Center in Mansfield. HealthCare Options is the billing agent for the three locations and is responsible for billing MassHealth for all the ADH services the three locations provide. HealthCare Options is owned by Community Health Services, Inc. of Attleboro, also known as Community VNA. According to Community VNA’s website, NADHC “provides services and resources that enhance the community’s capacity to achieve optimal health, wellness and quality of life.”

MassHealth pays for ADH services provided to eligible MassHealth members. It paid NADHC \$1,854,494 for ADH services provided to MassHealth members during the audit period, as shown below.

MassHealth Payments Received by NADHC

Calendar Year	MassHealth Payments	Number of Claims	Members Served
2016	\$ 953,866	29,235	80
2017	900,628	27,890	132
Total	\$1,854,494	57,125	150*

* This is the unduplicated total number of members served.

ADH Services

MassHealth covers ADH services for eligible MassHealth members who need assistance with activities of daily living (ADLs) such as eating, toileting, bathing, walking, and taking medication. According to MassHealth regulations, to provide ADH services, an ADH provider must obtain documentation from the member's own physician that includes the following:

- written physician orders detailing the member's need for ADH services
- recent medical history
- results of a physical exam
- all medications and treatments prescribed
- special dietary needs
- any limitations the member may have in participating in ADH activities
- recommendations for therapy services, such as speech or physical therapy

The ADH provider uses this information to develop a member care plan that includes a treatment plan based on the member's physician orders.

Additionally, the ADH provider must obtain written clinical authorizations from MassHealth approving the member to receive ADH services. The ADH provider must obtain both physician orders and MassHealth clinical authorizations before the member's first day of service.

According to the Massachusetts Adult Day Services Association website, there are approximately 149 ADH programs in the Commonwealth, many of which are certified by MassHealth to provide ADH services to its members. MassHealth-certified ADH providers bill MassHealth for ADH services either by the unit (in 15-minute increments) or for entire six-hour days. ADH providers bill for one of two levels of ADH care:

- basic care, paid at \$58.83 per day or \$2.45 per 15-minute interval
- complex care, paid at \$74.50 per day or \$3.10 per 15-minute interval

In addition, ADH providers can bill MassHealth for transporting members to and from their facilities according to the applicable rate schedules established by the state Executive Office of Health and

Human Services. In 2016, NADHC received \$13.16 per trip for transporting its members to and from its facility. On July 1, 2017, this rate increased to \$15.41 per trip.

To avoid paying for duplicate services, MassHealth does not reimburse ADH providers for ADL-related services for members while they are (1) living in facilities, such as nursing homes or home health agencies, that provide the same services or (2) receiving ADL services from personal care attendants.

Aging Services Access Points

Section 4B of Chapter 19A of the General Laws established Aging Services Access Points (ASAPs). According to the Executive Office of Elder Affairs' website, ASAPs are "private non-profit agencies with governing boards that serve and represent 51% of people age 60 and older." The Executive Office of Elder Affairs contracts with ASAPs to provide services by region for Massachusetts residents, including clinical assessments for MassHealth members seeking ADH services. These assessments are performed by ASAP nurses and represent independent clinical authorizations on behalf of MassHealth that verify MassHealth members' medical need for ADH services.

Upon completion of clinical assessments, ASAP nurses give ADH providers determination letters approving or denying members' ADH services. ADH providers cannot provide any ADH services to members until they receive these letters.

ASAPs also pay ADH providers for services provided to MassHealth members enrolled in certain MassHealth plans, such as senior care organization and accountable care organization plans.

During our audit period, there were 26 ASAPs in the Commonwealth, and NADHC primarily used the services of the ASAP HESSCO Elder Services in Sharon.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted a performance audit of certain activities of Norwood Adult Day Health Center (NADHC) for the period January 1, 2016 through December 31, 2017.

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.

Below is our audit objective, indicating the question we intended our audit to answer, the conclusion we reached regarding the objective, and where the objective is discussed in the audit findings.

Objective	Conclusion
1. Did NADHC properly bill for adult day health (ADH) medical services provided to MassHealth members?	No; see Findings <u>1</u> and <u>2</u>

Methodology

We obtained claim data from MassHealth's Medicaid Management Information System (MMIS) for testing. These data contained information for both fee-for-service claims, which ADH centers bill directly to MassHealth, and encounter claims, which represent services provided by other MassHealth plans such as senior care organization (SCO) and accountable care organization (ACO) plans. To test the reliability of these data, we relied on the work performed by OSA in a separate project that tested certain information system controls in MMIS, which is maintained by the Executive Office of Health and Human Services. As part of the work performed in this separate project, OSA reviewed existing information, tested selected system controls, and interviewed knowledgeable agency officials about the data. Additionally, we performed validity and integrity tests on claim data, including (1) testing for missing data, (2) scanning for duplicate records, (3) testing for values outside a designated range, (4) looking for dates outside specific time periods, and (5) tracing a sample of claims queried to source documents. Based on these procedures, we determined that the data obtained were sufficiently reliable for the purposes of this report.

From discussions with NADHC management, we gained an understanding of internal controls over NADHC's billing processes for ADH services that we deemed significant to our audit objective.

Effective July 27, 2018, MassHealth revised Section 404 of Title 130 of the Code of Massachusetts Regulations. For the purpose of our audit, we used the regulations that were in effect during the audit period.

Our data showed that NADHC provided ADH services to 150 MassHealth members during the audit period. From this population, we selected a nonstatistical judgmental sample of the 50 members for whom MassHealth paid NADHC the highest amount for services to determine whether NADHC properly billed for the services it provided. We performed the following audit procedures:

- We examined member medical records to determine whether a physician order approving ADH services was included in each sampled member's records.
- We determined whether each physician order indicated that the member required assistance with specific activities of daily living and/or skilled nursing services.
- We reviewed signed physician orders to determine whether their dates were on or before the members' first dates of ADH services, because MassHealth does not pay for ADH services before the ADH provider receives a signed physician order.
- We reviewed members' records to determine whether NADHC obtained clinical authorizations from MassHealth for members enrolled in SCO or ACO plans and whether the authorizations' dates were on or before the members' first dates of service.
- We met with the NADHC program director and services coordinator to review the member count obtained from MMIS and ensure that it matched our MMIS-generated list of members who received services at NADHC.

In addition, we selected a nonstatistical judgmental sample of 20 MassHealth members to determine whether each member's original physician order had been signed by the physician. We sent confirmation letters to the 20 members' physicians requesting confirmation that they had ordered ADH services for the members.

For both tests that we performed on sampled members, we did not extrapolate the results of our findings to the population of members because our test samples were judgmental samples.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Norwood Adult Day Health Center did not obtain physician orders to support as much as \$92,644 of adult day health services provided to three MassHealth members.

For 3 of the 50 sampled MassHealth members tested, Norwood Adult Day Health Center (NADHC) lacked properly authorized physician orders for adult day health (ADH) services, totaling \$92,644. Because physician orders substantiate the types and levels of service a member is authorized to receive, there is a higher-than-acceptable risk that NADHC may not have provided the appropriate types and levels of service to MassHealth members.

Authoritative Guidance

According to Section 404.406(F)(2) of Title 130 of the Code of Massachusetts Regulations (CMR) as of March 2010, to initiate ADH services, providers must obtain physician documentation, including physician orders, for the services:

- (a) Before the member's first attendance day, the ADH provider must obtain the necessary documentation from the member's physician.*
- (b) The physician's documentation must include
 - (i) physician orders for adult day health services.**

Reasons for Noncompliance

Regarding the three missing physician orders, NADHC's program director stated,

The order for those members does not normally come from the primary physician; instead it often comes from the physician of record in the facility that is responsible for coordinating the discharge plan.

However, when reviewing the medical records of all of the members in our sample, we did not find physician orders for ADH services from any physician.

In addition, NADHC does not have internal controls (e.g., policies and procedures) in place to obtain physician orders from members' physicians when nursing facilities or inpatient hospitals discharge members enrolled in MassHealth.

Recommendations

1. NADHC should collaborate with MassHealth to determine how much of the \$92,644 discussed in this finding should be repaid.
2. NADHC should develop policies and procedures to ensure that completed and authorized physician orders are in place before it provides ADH services to MassHealth members.

Auditee's Response

[Client #1] was admitted to NADHC on July 13, 2016. A copy of the medical provider's progress note dated June 19, 2016 states "may return to day program." . . . This date of June 19, 2016 is prior to the start date of July 13, 2016. Although the provider's words state "return" to day program, this client was never a previous client prior to July 13th, and we cannot be held liable for the wording that a provider chooses. The intent was clearly there to establish the order for the client to attend adult day health (day program). . . .

[Client #2] was admitted to NADHC on March 27, 2014. On 3/14/14, NADHC social service staff sent a fax request to [the] physician to complete the necessary forms/documentation needed to admit [client #2]. On 3/21/2014, prior to the admission date of March 27th, instead of sending back NADHC's forms, the physician sent her own medical information/documentation back to NADHC . . . implying agreement to attend adult day health. . . .

[Client #3] was admitted to NADHC on February 23, 2015. A copy of the signed physician's medical information about [client #3] was faxed to NADHC on 2/9/2015 from [the] physician office which is prior to the date of admission to adult day health. . . .

In all three cases, there is clear evidence that each of the medical providers for each of the clients had very clear knowledge of and were in full agreement with their clients attending NADHC. As such, we do believe that there is sufficient evidence to support the requirement of a physician order to attend adult day health. It is also important to note that documents can get misfiled due to human error. In 47 of the 50 sampled members reviewed, all the necessary documentation was in order. That is certainly acknowledgement that the NADHC staff is aware of the requirement for the need for a physician order for adult day health services and they do have a process for obtaining it. . . .

Lastly, we strongly disagree with a statement made in the audit report . . . "Because physician orders substantiate the types and levels of service a member is authorized to receive, there is a higher than acceptable risk that [NADHC] may not have provided the appropriate types and levels of service to MassHealth members." It is unclear as to how such a conclusion of this magnitude can be made when there is documentary evidence in each case of the client's physician knowing his/her client was attending NADHC, was in agreement with his/her client attending NADHC, and that there was ongoing communication, collaboration and documentation between the NADHC staff and the physician about each of their clients.

With its response, NADHC also provided a number of documents related to each member, such as a copy of a medication verification list signed by a member's physician and a copy of a physician visit

summary signed by the member's physician, as well as copies of other medical records, which NADHC says confirm that the members' physicians knew and agreed with the members' attending NADHC.

MassHealth's Response

In its response, MassHealth states that ADH is a program that it has identified for increased oversight and that since 2016, it has taken a number of measures to increase program integrity in this area. These measures include such things as conducting audits of ADH providers, revising its ADH regulations, and conducting a statewide training for ADH providers. MassHealth also provided the following comments:

Future program integrity efforts include:

- *In **May 2019**, MassHealth will submit a request to the Center for Medicare and Medicaid Services (CMS) for a temporary moratorium on the enrollment of new ADH providers into the MassHealth program. The temporary moratorium will enable MassHealth to strengthen program integrity of existing ADH providers.*
- *In **July 2019**, MassHealth will implement Prior Authorization (PA) requirements for the provision of ADH services. ADH providers will be required to (1) provide documentation justifying a member's clinical eligibility for ADH services, as well as (2) submit physician orders to obtain authorization to provide ADH services to the Member and prior to rendering and billing for ADH services provided to the member.*

Regarding the audit finding and recommendations in the audit, MassHealth agrees with the recommendations. . . .

OSA's audit findings have triggered a need for MassHealth to conduct its own audit of Norwood ADH.

Auditor's Reply

In its response, NADHC asserts that there was documentation in each of the three member files in question. In NADHC's opinion, this indicates that the members' medical providers knew and approved of the members' attending NADHC. However, none of this documentation included physician orders for ADH services. As noted above, MassHealth regulations state that a physician order must be obtained before the member's first attendance day. Although the documentation that existed in these member files, which included such records as progress notes, medication lists, and care plans, can substantiate that members received prescribed medical services from NADHC, they are not a substitute for the physician orders that MassHealth regulations require. The physician order is the document that supports the need for a member to receive ADH services, and MassHealth regulations specifically require physician documentation before a member's first day of service. Therefore, whether or not NADHC and

a member's medical provider have communicated about specific services such as medication that the member receives, unless the need for ADH services is formally established and documented in the member's file and used to develop their treatment plan, the Office of the State Auditor believes there is a higher-than-acceptable risk that the member may not be provided with the appropriate types and levels of service. Although we acknowledge that documents can be misfiled, we believe that the controls over this activity could be strengthened; therefore, we again urge NADHC to implement our recommendation to develop policies and procedures to ensure that completed and authorized physician orders are in place before it provides ADH services to MassHealth members.

2. NADHC did not always properly document claims submitted to MassHealth by its billing agents to ensure that the correct ADH location was indicated.

During our audit period, NADHC's billing agent (HealthCare Options, Inc.) used the wrong location for services provided for 53 out of 150 MassHealth members. Specifically, the billing agent indicated that these members received their services from NADHC, but the services were actually provided by Harmony Adult Day Health Center in Lakeville and Mansfield Adult Day Health Center in Mansfield. As a result, MassHealth could reject these inaccurate claims, resulting in a loss of billing revenue for provided services.

Authoritative Guidance

According to 130 CMR 450.301(A), "a claim for a medical service may be submitted only by the provider that provided the service." In addition, 130 CMR 450.331 states,

Any provider that engages a billing agent [e.g., HealthCare Options and the Aging Services Access Point (ASAP) Bristol Elder Services] . . . is fully responsible to [MassHealth] for all acts by such billing agent.

Reasons for Noncompliance

HealthCare Options bills MassHealth for all three of HealthCare Options' ADH locations (NADHC, Harmony Adult Day Health Center, and Mansfield Adult Day Health Center). For 52 of the 53 members for whom the wrong location was used, the incorrect bills were submitted by HealthCare Options on behalf of NADHC. In relation to these members, the HealthCare Options controller told us that when HealthCare Options implemented a new billing system in July 2017, the wrong service location identification number was loaded into the system for some members. As a result, HealthCare Options billed MassHealth using NADHC's service location identification number for services to 52 members

even though the services were provided at Harmony Adult Day Health Center. In addition, because NADHC does not have any policies or procedures that require its staff to monitor HealthCare Options' claim submissions, it did not identify and correct this error.

For one member, the incorrect bill was submitted by the ASAP Bristol Elder Services. In relation to this member, the HealthCare Options controller told us that NADHC does not have any controls in place to monitor claim submissions made by ASAPs for ADH services it provides to members enrolled in senior care organization or accountable care organization plans.

Recommendation

NADHC should enhance its policies and procedures to make sure that it properly monitors claims submitted to MassHealth by its billing agents to ensure that all the claims they submit indicate the locations where services were provided.

Auditee's Response

In 2017, we purchased and installed a new billing software application, ADS Data Systems, for our Adult Day Health Centers—Norwood ADHC, Mansfield ADHC, and Harmony ADHC.

The first site to utilize the new software was Harmony ADHC. The July 2017 claims for our Harmony ADH center were batched and uploaded to the MassHealth [Provider Online Service Center, or POSC] on 8/15/17 and 8/25/17 under the Norwood ADH [National Provider Identifier, or NPI] # inadvertently due to a technical error.

During the initial setup with the ADS vendor, the correct Provider ID # and NPI # were both submitted by HealthCare Options, Inc. for the vendor to use in the programs' database configurations; however, at that time we were unaware that the vendor had incorrectly loaded the Norwood NPI # into the Harmony database. The [MassHealth] POSC acknowledgements all reflected the correct Harmony Provider ID . . . so it all looked correct to the billing uploader.

When the payment remittance advices were extracted from the [MassHealth] POSC sometime in September 2017, we realized that the MassHealth payment for Harmony's July claims were actually paid to HealthCare Options, Inc. under the Norwood site's NPI #. No additional/duplicate payment was made for these claims under the Harmony NPI #.

On September 27, 2017, an email was sent to MassHealth's [Electronic Data Interchange, or EDI] department regarding this error and what was needed to correct the situation, if anything at all. We also immediately contacted our vendor and explained the situation, who suggested we could VOID and rebill the claim. Since the claim was paid, it was not clear if we really needed to do that at all. ADS confirmed the NPI upload error in the database and corrected the problem. ADS then requested that the [MassHealth] EDI department forward instructions to ADS on how to VOID a claim. That is the last documented correspondence on this matter.

In mid-October, a phone conversation followed between HealthCare Options, Inc. and ADS on how to resolve the issue. At that time, the only resolution offered to us was to go into the ADS program and manually mark each claim line as Unbilled. Upwards of 1,500 individual lines of claims were involved. Due to time constraints and lack of manpower, this was not done for the July 2017 claims.

In summary, there was no act of intent to incorrectly bill MassHealth. The mistake was a result of unintentional technical error and our billing department immediately contacted MassHealth to identify the error.

Regarding the auditor's recommendation that we have policies in place, please note that we do have policies in place. The correct Provider ID# on the [MassHealth] upload acknowledgements for the Harmony claims was verified. The incorrect NPI # in the Harmony database was not visible and corrected immediately by both our organization and the software vendor once it was known to us. Claim submissions are regularly monitored by staff as a general practice. The exception in this case is that the ADS billing software was a new billing program at the time and there was a setup error on the part of the vendor that was not identified by us until the payment was received.

MassHealth's Response

MassHealth agrees with this recommendation.

Auditor's Reply

Our report does not state or imply that NADHC intentionally billed MassHealth incorrectly for the services in question. We merely point out that a significant billing error occurred during our audit period and that in our opinion, NADHC needs to improve its controls over this process to better ensure that such billing errors do not occur in the future.