OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

Official Audit Report – Issued November 10, 2026

Office of Medicaid (MassHealth)—Review of Claims Submitted for Services by Bass River Inc.

For the period July 1, 2023 through June 30, 2025



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November 10, 2026

Larry Lusignan, Executive Director
Bass River Inc.
437 Essex Street
Beverly, MA 01915

Dear Executive Director Lusignan:

I am pleased to provide to you the results of the enclosed performance audit of Bass River Inc. As is typically the case, this report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2023 through June 30, 2025. As you know, my audit team discussed the contents of this report with agency managers. This report reflects those comments.

I appreciate you and all your efforts at Bass River Inc. The cooperation and assistance provided to my staff during the audit went a long way toward a smooth process. Thank you for encouraging and making available your team. I am available to discuss this audit if you or your team has any questions.

Best regards,



Diana DiZoglio
Auditor of the Commonwealth

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1

OVERVIEW OF AUDITED ENTITY 2

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 4

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE 7

1. **Bass River Inc. did not always document the assessed level of care for MassHealth members receiving day habilitation services.** 7

LIST OF ABBREVIATIONS

CMR	Code of Massachusetts Regulations
IDT	interdisciplinary team
MMIS	Medicaid Management Information System
OSA	Office of the State Auditor
SNA	service needs assessment

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 and Medicaid Services, within the US Department of Health and Human Services, administers the Medicare program and works with state governments to administer state Medicaid programs, such as MassHealth.

OSA has conducted an audit of MassHealth claims submitted for day habilitation services by Bass River Inc. for the period July 1, 2023 through June 30, 2025. The purpose of this audit was to determine the following:

- Did Bass River Inc. complete service needs assessments (SNAs) for MassHealth members who received its day habilitation services, in accordance with Section 419.407(A) of Title 130 of the Code of Massachusetts Regulations (CMR)?
- Did Bass River Inc. bill MassHealth for day habilitation services at the payment level authorized by MassHealth, in accordance with 130 CMR 419.409(B)–(C)?

Below is a summary of our findings, the effects of those findings, and our recommendations, with hyperlinks to each page listed.

Finding 1 **Page 7**	Bass River Inc. did not always document the assessed level of care for MassHealth members receiving day habilitation services.
Effect	If Bass River Inc. does not document the level of care, either correctly or at all, for MassHealth members who received day habilitation services, then it cannot demonstrate that the services provided were appropriate to each member's assessed needs. Additionally, MassHealth may be billed for higher levels of care than what was provided to MassHealth members, resulting in MassHealth spending money that could have been used to provide services to other MassHealth members.
Recommendations **Page 8**	1. Bass River Inc. should ensure that the assessed levels of care for all MassHealth members receiving day habilitation services are accurately documented in each member's medical record. 2. Bass River Inc. should implement internal controls, including periodic supervisory review or reconciliation of documentation and billing records, to ensure that claims submitted to MassHealth correspond with documented levels of care.

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 annually provides access to healthcare services for approximately two million eligible children, families, people over 65, and people with disabilities, all of whom have low or moderate incomes. In fiscal year 2025, MassHealth program expenditures totaled $22.1 billion, of which approximately 39% was paid by the Commonwealth. These Medicaid program expenditures represented approximately 32.5% of the Commonwealth's total annual budget.

Bass River Inc.

Bass River Inc., which has locations in Salem and Beverly, became a MassHealth day habilitation service provider in 1991. According to its website,

> *Our day [habilitation] program strives to challenge participants to achieve maximum independence in their daily lives and to develop and meet personal goals whenever possible. Through in house services and private work with our physical, speech and occupational therapists as well as our nursing staff, we ensure a caring support for a healthy life style. In both our Salem and Beverly locations, we provide personal, social and recreational skill building.*

During the audit period, Bass River Inc. received $4,173,337 from MassHealth for day habilitation services, as detailed in Table 1.

Table 1. Bass River Inc. Payments from MassHealth for Fiscal Years 2024 and 2025

Location	Fiscal Year 2024	Fiscal Year 2025
Beverly	$ 1,858,035	$ 1,980,091
Salem	161,757	173,454
Total	$ 2,019,792	$ 2,153,545

Day Habilitation Services

Day habilitation services involve personalized activities and therapies for people with either intellectual or developmental disabilities. The intention of day habilitation services is to help patients meet their goals related to physical, cognitive, and psychosocial health; occupational capabilities; and overall wellness.

A MassHealth member enrolls in a day habilitation program by submitting an application. Before a MassHealth member can attend a day habilitation program, they must meet with the program's interdisciplinary team (IDT)[1] to complete a service needs assessment (SNA). Each clinician on the IDT completes a specific section of an SNA based on their specialty. The IDT evaluates the MassHealth member's day habilitation application to determine their needs and overall level of independent functioning—for example, an occupational therapist evaluates the MassHealth member's occupational capabilities. The IDT makes specific recommendations for individual services that address the MassHealth member's needs. The day habilitation service provider—in this case, Bass River Inc.—uses this information to develop a plan of care with measurable goals.

Prior Authorization

Once the IDT completes an SNA, Bass River Inc. uses MassHealth's leveling tool[2] to determine the appropriate payment rate for which MassHealth will be billed. Bass River Inc. sends the leveling tool, the SNA, and a request for prior authorization to MassHealth for approval. MassHealth reviews these documents and—if it approves them—completes a prior authorization form, which indicates the approved service codes that Bass River Inc. may bill for the services it provides for the MassHealth member.

1. A day habitation program's IDT is a collaborative team of clinicians, which may include registered nurses, licensed practical nurses, occupational therapists, physical therapists, speech therapists, and behavioral health professionals.
2. The day habilitation leveling tool is a form from MassHealth used to evaluate and determine the level of care needed by applicants and the costs associated with the indicated level of care.

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 MassHealth for the period July 1, 2023 through June 30, 2025.

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 a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did Bass River Inc. complete service needs assessments (SNAs) for MassHealth members who received its day habilitation services, in accordance with Section 419.407(A) of Title 130 of the Code of Massachusetts Regulations (CMR)?	**Yes**
2. Did Bass River Inc. bill MassHealth for day habilitation services at the payment level authorized by MassHealth, in accordance with 130 CMR 419.409(B)–(C)?	**Not always; see Finding 1**

To accomplish our audit objectives, we gained an understanding of the internal control environment related to the objectives by reviewing applicable Bass River Inc. policies and procedures. We also interviewed Bass River Inc. management who were responsible for the oversight of the processes related to ensuring the completion of SNAs and ensuring that day habilitation services were billed in accordance with MassHealth regulations.

In addition, to obtain sufficient, appropriate evidence to address our audit objectives, we performed the procedures described below.

Service Needs Assessments

To determine whether Bass River Inc. completed SNAs for MassHealth members who received its day habilitation services, in accordance with 130 CMR 419.407(A), we first obtained data from the Medicaid

Management Information System (MMIS) regarding the 86 MassHealth members who received day habilitation services at Bass River Inc. during the audit period. We selected a random, nonstatistical sample[3] of 20 out of 86 MassHealth members who received day habilitation services at Bass River Inc. during the audit period. We reviewed the SNAs for the 20 MassHealth members in our sample to determine whether all need areas (i.e., self-help, sensorimotor, communication, independent living, affective development, social development, behavioral development, and wellness) were assessed and whether the SNAs were signed by a member of the Bass River Inc. interdisciplinary team (IDT) within 45 days of a MassHealth member beginning day habilitation services, or every two years thereafter. MassHealth regulations require day habilitation providers to follow these timelines.

For this objective, we found no significant issues during our testing; therefore, we determined that, during the audit period, Bass River Inc. completed SNAs for the MassHealth members in our sample who received its day habilitation services, in accordance with 130 CMR 419.407(A).

Payment Levels

To determine whether Bass River Inc. billed MassHealth for day habilitation services at the payment level authorized by MassHealth, in accordance with 130 CMR 419.409(B)–(C), we took the following actions. We obtained data from MMIS regarding the 86 MassHealth members who received day habilitation services at Bass River Inc. during the audit period. We selected a random, nonstatistical sample of 20 out of 86 MassHealth members who received day habilitation services at Bass River Inc. during the audit period and determined whether their claims were paid at the level that was assessed for them through the leveling tool. (This sample of 20 MassHealth members was separate from the aforementioned sample of 20 MassHealth members selected to test SNAs.)

For this objective, we found certain issues during our testing; namely, that Bass River Inc. did not always document the assessed level of care for MassHealth members receiving day habilitation services. See Finding 1 for more information.

We used nonstatistical sampling methods for testing and therefore did not project the results of our testing to the corresponding population.

3. Auditors use nonstatistical sampling to select items for audit testing when a population is very small, the population items are not similar enough, or there are specific items in the population that the auditors determine are appropriate to review.

Data Reliability Assessment

To test the reliability of the data that we obtained from MMIS, we relied on the work performed by OSA in a separate project, completed in 2026, that tested certain information system controls in MMIS. As part of that work, OSA reviewed existing information, tested selected system controls, and interviewed knowledgeable agency officials about the data. Additionally, we queried MMIS for all day habilitation claims paid by MassHealth using Bass River Inc's national provider identifiers (Bass River has two locations, each with its own identifier). This identified a population of 86 MassHealth members who received day habilitation services at Bass River, Inc. We tested the data for (1) blank fields, (2) duplicate records, and (3) dates outside the audit period. We also traced a sample of 20 Bass River Inc. hardcopy claim forms to the MMIS data and vouched[4] a sample of 20 MMIS records to their hardcopy source claim forms.

Based on the results of the data reliability assessment procedures described above, we determined that the information we obtained was sufficiently reliable for the purposes of our audit.

4. Vouching is the inspection of supporting documentation to corroborate data.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. Bass River Inc. did not always document the assessed level of care for MassHealth members receiving day habilitation services.

Bass River Inc. did not always document the assessed level of care required for MassHealth members who received day habilitation services. Specifically, during our review, we identified four MassHealth members, for whom Bass River Inc. billed MassHealth for a total of 53 claims, whose assessed levels of care were not documented in their medical records. This resulted in MassHealth paying Bass River Inc. $8,186 for services provided to MassHealth members whose needed levels of care were not documented.

Additionally, we identified one MassHealth member whose documented level of care was "low need." However, Bass River Inc. billed MassHealth for 121 claims at the "moderate need" level of care for this individual. This resulted in MassHealth paying $5,054 to Bass River Inc. for services at a higher level of care than was documented in the member's medical record.

If Bass River Inc. does not document the level of care, either correctly or at all, for MassHealth members who received day habilitation services, then it cannot demonstrate that the services provided were appropriate to each member's assessed needs. Additionally, MassHealth may be billed for higher levels of care than what was provided to MassHealth members, resulting in MassHealth spending money that could have been used to provide services to other MassHealth members.

Authoritative Guidance

According to Section 419.407(B) of Title 130 of the Code of Massachusetts Regulations,

> *Using the results of the SNA, a [day habilitation] provider must identify the member's appropriate [day habilitation] service level and acquire Prior Authorization (PA). The Leveling Tool will identify a member as Level 1, Level 2, Level 3, or Level 4. A new Leveling Tool is required, along with a new SNA, every two years or sooner if the member experiences a significant change.*

Reasons for Issue

Bass River Inc. indicated that documentation for the MassHealth members identified in this finding was completed during the COVID-19 public health emergency and that frequent changes to MassHealth policies during and after the public health emergency made it difficult to ensure that Bass River Inc. complied with the changing requirements.

Recommendations

1. Bass River Inc. should ensure that the assessed levels of care for all MassHealth members receiving day habilitation services are accurately documented in each member's medical record.

2. Bass River Inc. should implement internal controls, including periodic supervisory review or reconciliation of documentation and billing records, to ensure that claims submitted to MassHealth correspond with documented levels of care.

Auditee's Response

Bass River takes responsibility for the findings on 3 of the 4 members on this issue. In all cases levels of care were determined and accurately documented in the record. The individuals in 3 cases identified were cited due to missed deadline requirements. While there were circumstances that affected the ability to meet deadline requirements, the fact they were missing at the time required is not contested.

In the case of [the fourth identified member], Bass River disputes the findings. The individual was covered under an interim [prior authorization (PA)] from 4/2/2025–5/30/2025 identified as [requiring a "moderate need" level of care]. We received confirmation of an approved PA for the period of 5/31/2025 to 5/30/2027. The individual remains at a ["moderate need" level of care] rate. There were 19 claims at $167.85 that should be considered as authorized documented claims for a total of $3,189.15.

The billing error which occurred was due to human error and there is no objection to the finding.

There were two recommendations as a result of this audit finding. Based on the first recommendation, Bass River will review their procedures to document the assessed level of care for MassHealth members receiving day habilitation services with staff. In response to the second recommendation Bass River will implement internal controls including periodic supervisory review or reconciliation of documentation and billing records, to ensure that claims submitted to MassHealth correspond with documented levels of care.

Auditor's Reply

Bass River Inc. agrees with the findings regarding three of the four identified MassHealth members and acknowledges that, although the members' levels of care had been determined and documented, the required documentation was not available within the applicable timeframe. Accordingly, the finding remains unchanged for these members because the records did not demonstrate compliance with the applicable documentation requirements at the time of the audit.

Bass River Inc. disputes the finding related to the fourth identified member and states that the member was covered by an interim prior authorization from April 2, 2025 through May 30, 2025, and subsequently received a prior authorization for day habilitation through May 30, 2027, at the "moderate need" level of

care rate. Bass River Inc. asserts that 19 of the claims identified in the finding were authorized and should, therefore, be considered supported. However, in order to acquire a prior authorization from MassHealth, Bass River Inc. must complete a leveling tool that documents the member's needed level of care. Bass River Inc. did not provide us with evidence that the leveling tool was completed for this member.

Bass River Inc. also states that the remaining billing error resulted from human error. We acknowledge Bass River Inc.'s planned corrective actions, including reviewing procedures with staff members and implementing periodic supervisory review or reconciliation of documentation and billing records to ensure that claims submitted to MassHealth correspond with members' documented levels of care. These controls, if consistently implemented, should help prevent similar documentation and billing errors in the future.

As part of our post-audit review process, we will follow up on this matter in approximately six months.