



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

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Official Audit Report – Issued December 8, 2011

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## The Carson Center for Human Services, Inc.

For the period July 1, 2008 through September 30, 2010



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The Carson Center for Human Services, Inc. (Carson Center) was organized on June 14, 1963 as a not-for-profit corporation under Chapter 180 of the Massachusetts General Laws. The Carson Center offers a comprehensive program of rehabilitative services, including: residential care, outpatient care, daycare, and educational services. Carson Center also provides clinical and support programs for the mentally ill, emotionally disturbed, mentally retarded, developmentally disabled, and substance abusers. Carson Center employs medical doctors, psychiatrists, and licensed social workers to attend to clients' mental health care needs, as well as social workers to provide individual and group counseling for clients and their families. Carson Center merged in 2006 with Valley Human Services, Inc. and in 2008 with Abilities Unlimited of Western New England, Inc. The Carson Center is headquartered in Westfield with service locations in Westfield, Springfield, and Ware. During fiscal year 2010, Carson Center employed approximately 234 full-time equivalent staff, and served 6,981 clients.

MassHealth, within the Massachusetts Executive Office of Health and Human Services (EOHHS), administers the Commonwealth's Medicaid program, which provides access to healthcare services, including mental health services, to approximately one million eligible low- and moderate-income individuals and families annually. For fiscal years 2009 and 2010, Carson Center received program funding totaling \$25,927,015, of which the Commonwealth provided \$22,120,917, or approximately 85%, which included \$8,251,091 of Medicaid funding.

The purpose of our audit was to determine whether Carson Center submitted allowable claims to MassHealth and the Department of Developmental Services (DDS) for mental health and related services during the period July 1, 2008 through September 30, 2010. Our audit procedures consisted of reviewing Carson Center's claims for mental health and related services to ensure that its claims were supported with required documentation; services were provided as claimed; claims were for eligible recipients; and claims were complete, accurate, and in compliance with applicable laws, rules, and regulations. We also reviewed Carson Center's internal controls over its claims and billing procedures to determine their adequacy.

Based on our review we have concluded that, for the period July 1, 2008 through September 30, 2010, except for the issue addressed in the Audit Results section of this report, Carson Center submitted claims to MassHealth and DDS for mental health and related services that complied with applicable laws, rules, and regulations for the areas tested.

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Our review of claims paid by MassHealth to Carson Center found 53 instances in which the Carson Center received payments for mental health services that exceeded limits established by state regulations. In each instance, a claim was found in MassHealth's records reflecting the overpayment. However, MassHealth's claims processing system failed to identify the problem. In addition, Carson Center only identified and corrected one of the problem payments prior to our audit. Consequently, Carson Center received 52 overpayments totaling \$1,925 during the audit period.

## INTRODUCTION

### *Background*

The Carson Center for Human Services, Inc. (Carson Center) was organized on June 14, 1963 as a not-for-profit corporation under Chapter 180 of the Massachusetts General Laws. The Carson Center offers a comprehensive program of rehabilitative services, including: residential care, outpatient care, daycare, and educational services. The Carson Center also provides clinical and support programs for the mentally ill, emotionally disturbed, mentally retarded, developmentally disabled, and substance abusers. Carson Center employs medical doctors, psychiatrists, and licensed social workers to attend to clients' mental health care needs, as well as social workers to provide individual and group counseling for clients and their families. Carson Center merged in 2006 with Valley Human Services, Inc. and in 2008 with Abilities Unlimited of Western New England, Inc. The Carson Center is headquartered in Westfield with service locations in Westfield, Springfield, and Ware. During fiscal year 2010, Carson Center employed approximately 234 full-time equivalent staff and served 6,981 clients.

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<u>Revenue Source</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>Total</u>
Commonwealth Purchase of Services Contracts	\$5,632,746	\$8,237,080	\$13,869,826
Medicaid - Direct Payments	2,960,829	4,329,878	7,290,707
Medicaid - Subcontract	960,384	-	960,384
Medicare	272,261	386,199	658,460
Other Revenues	<u>1,416,050</u>	<u>1,731,588</u>	<u>3,147,638</u>
Total	<u>\$11,242,270</u>	<u>\$14,684,745</u>	<u>\$25,927,015</u>

***Audit Scope, Objectives, and Methodology***

Our audit of Carson Center covered the period July 1, 2008 through September 30, 2010. The purpose of the audit was to determine whether Carson Center submitted allowable claims to MassHealth and the Department of Developmental Services (DDS) for mental health and related services during the audit period. 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.

Our objectives consisted of the following:

1. To review and examine Medicaid and DDS claims for mental health and related services to determine whether:
  - The claims were supported with required documentation;
  - The services were provided as claimed;
  - The claims were for eligible Medicaid and DDS recipients; and
  - The claims were complete, accurate, and in compliance with applicable laws, rules, and regulations.
2. To review Carson Center's internal controls over its claims and billing procedures to determine their adequacy.

To achieve our objectives, we held discussions with Carson Center officials, as well as officials from the EOHHS, which administers the state's Medicaid program, and officials from the state's Division of Health Care Finance and Policy (DHCFP), which sets the rates for MassHealth services. We also reviewed the Carson Center's organization charts; policies and procedures manuals; internal controls; patient account billing system; and applicable laws, rules, and regulations. We then obtained the Carson Center's claims information contained in the Medicaid Management Information System (MMIS), the automated claims processing system used by MassHealth to pay service providers' claims. We analyzed the Carson Center's claims data to identify (a) the amount and number of paid claims, (b) the type and frequency of services performed, and (c) service trends and billing anomalies indicative of systemic billing problems within the claims processing system. From Carson Center's records, we selected a judgmental sample of 25 member files for review. We

tested each file to ensure that the paid claims were properly authorized and supported by appropriate documentation, including related billing forms and records. At the conclusion of the field audit, we discussed the results with Carson Center and considered its comments when preparing this report. We also discussed the results of our audit with MassHealth officials and included their written responses.

Our audit was not conducted for the purposes of expressing an opinion on Carson Center's financial statements. We also did not assess the quality and appropriateness of program services provided by Carson Center under its state contracts. Rather, our objective was to report findings and conclusions on the extent of Carson Center's compliance with applicable laws, rules, regulations, and contractual agreements with MassHealth and DDS, and to identify any internal controls that could be made more efficient and effective.

Based on our review we have concluded that, during the period July 1, 2008 through September 30, 2010, except for the issue addressed in the Audit Results section of this report, Carson Center submitted claims to MassHealth and DDS for mental health and related services that complied with applicable laws, rules, and regulations for the areas tested.

## AUDIT RESULTS

### OVERPAYMENTS FOR MENTAL HEALTH SERVICES TOTALING \$1,925

Our review of claims paid by MassHealth to Carson Center for Human Services, Inc. (Carson Center) found 53 instances in which the Carson Center received payments for mental health services that exceeded limits established by state regulations. In each instance, a claim was found in MassHealth's records reflecting the overpayment. However, MassHealth's claims processing system failed to identify the problem. In addition, Carson Center only identified and corrected one of the problem payments prior to the audit. Consequently, Carson Center received 52 overpayments totaling \$1,925 during the audit period.

MassHealth regulations establish service limitations and payment rates applicable to community mental health centers such as the Carson Center. In this regard, 130 Code of Massachusetts Regulations (CMR) 429.441 and 114.3 CMR 6.03(4) establish the following service limitations and allowable rates for individual psychotherapy and case consultation:

<u>Service Code</u>	<u>Service Description</u>	<u>Service Limitation</u>	<u>Allowable Rate</u>
90806	Individual Psychotherapy	Limited to maximum of one hour per member per session per day	\$69.68/hour
90882	Case Consultation	Limited to a maximum of one hour per session	\$73.22/hour

In addition, 130 CMR 450.235 promulgated by MassHealth defines overpayments for its members' services, in part, as follows:

*Overpayments include, but are not limited to, payments to a provider: (C) in excess of the maximum amount properly payable for the service provided...; (G) for services billed that result in duplicate payments.*

Our review of claims data maintained within the Massachusetts Management Information System (MMIS) found that the Carson Center received overpayments for mental health services totaling \$1,925 during the audit period. These overpayments involved 43 individual psychotherapy sessions and nine case consultations. Regarding the 43 psychotherapy sessions, Carson Center was paid between \$139.36 and \$80.15 for each session, contrary to the \$69.68 rate set by state regulations. For the nine case consultations, Carson Center was paid either \$146.44 or \$90 per session, contrary to the \$73.22 rate set by state regulations. The 52 overpayments were for individuals who were

eligible for both MassHealth and Medicare benefits. MassHealth refers to these members as Medicare crossovers.

When providing treatment for Medicare crossovers, service providers such as Carson Center are only required to submit service claims to Medicare. Medicare adjudicates the claims and pays the service providers for Medicare's share of the service cost. After adjudicating each claim, Medicare transmits to MassHealth relevant information for each claim, including any unpaid portion of the claim. MassHealth, in turn, pays the service provider for the remaining amount due. As a result, it is not necessary for service providers to directly bill MassHealth for Medicare crossover members.

MassHealth provided the following written comments on this matter, which confirm our finding:

*From our joint perspective, we are confident that a) the amount paid per MMIS is correct and that the overpayment of the service limit had to do with the two billing avenues. We can't explain why Carson Center records do not accurately reflect MMIS payments. But it appears that they b) did receive overpayments.*

### **Recommendation**

MassHealth should examine its system settings to determine whether coding changes are necessary to flag payments exceeding service limits. Carson Center should develop a system of internal controls to track overpayments it receives from MassHealth. Additionally, we recommend that MassHealth and Carson Center develop a repayment schedule for the overpayments.

### **Auditee's Response**

In response to this issue, the Carson Center provided the following comments:

*We are in nearly full agreement with the findings of this audit. ... The claims were billed at our usual charge for the service rendered. However, as stated in your draft letter, MassHealth reimbursed the Carson Center in amounts that exceed limits established by state regulation. The MassHealth claims processing system failed to identify the problem, and hence overpayments resulted. The involvement of Medicare/Medicaid crossover payments may help explain the errors.*

*As for Carson's responsibility, our MassHealth payments are currently posted individually by members of our billing staff. We investigated all 53 claims before your staff finished their work on-site, and this internal process led to our recognition of the overpayments. When our staff failed to notice that these 52 particular payments represented overpayments, they posted them incorrectly in our system.*

*We are currently in the process of establishing an electronic system for posting paid claims information. This new system is designed to identify overpayments and kick them back, so that we can reimburse the payor. While errors of the sort identified in this audit were few and far between, our new electronic remittance system will eliminate virtually all such errors.*

***Auditor's Reply***

Based on its response, the Carson Center agrees with our concerns and is taking measures to address the issues we identified relative to this matter. However, we again recommend that MassHealth and Carson Center develop a repayment schedule for the overpayments.