Department of Human Services
Division of Medical Assistance
and Health Services
Partial Care and Partial Hospitalization Programs

July 1, 2004 to February 28, 2007

Richard L. Fair
State Auditor
The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Medical Assistance and Health Services, Partial Care and Partial Hospitalization Programs for the period of July 1, 2004 to February 28, 2007. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
Assistant State Auditor  
June 19, 2007
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Scope

We have completed an audit of the Department of Human Services, Division of Medical Assistance and Health Services (division), Partial Care and Partial Hospitalization Programs for the period July 1, 2004 to February 28, 2007. Our audit included financial activities accounted for in the state’s General Fund for payments to partial care and hospitalization facilities for Medicaid recipients. Expenditures are funded by the federal government at a 50 percent rate. The annual federal and state expenditures for these programs were approximately $84 million for 5,000 partial hospitalization recipients and $77 million for 12,000 partial care recipients during fiscal year 2006.

Objectives

The objectives of our audit were to determine whether payments to providers for partial care and partial hospitalization services were reasonable, were related to the programs, and were recorded properly in the accounting system, and to determine whether the programs were properly monitored.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the Office of Management and Budget, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of provider payments. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an
understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and program providers and other transactions were judgmentally selected.

Conclusions

We found that payments to providers for partial care and partial hospitalization services were reasonable, were related to the programs, and were recorded properly in the accounting system. We also found that although the division provides program monitoring, enhancements should be made. In making these determinations, we noted certain internal control weaknesses and opportunities for cost savings meriting management’s attention. The division needs to improve controls over provider reimbursements to prevent improper payments. In addition, while the division has taken several measures to improve controls over the Partial Hospitalization program by implementing new regulations that are expected to result in cost savings and program improvements; we have identified other opportunities for cost savings.

Background

The Partial Care and Partial Hospitalization programs were established to provide an intensive outpatient program of psychiatric services to individuals with a severe mental illness. The program is designed to provide rehabilitation and intensive support to prevent inpatient psychiatric care and relapse, and to assist in the development of community living skills. These services may be provided either in a hospital-based or independent clinic setting. Services provided include counseling, case management, psycho-education, pre-vocational services, social and recreational services, and psychiatric services. The services are available to eligible individuals and are provided from a minimum of two hours per day to a
maximum of five hours per day, predominantly in a group setting. Participants are enrolled in the programs by providers based on their psychiatric evaluation. Additionally, services are provided to children as young as three years old. Providers operating children's programs provide a comprehensive range of services to address the needs of the youth and are age appropriate.

The programs operate at 31 hospital-based providers and 113 partial care clinics. A moratorium has been in effect on new partial care clinics since July 1, 2005. New Jersey reimburses partial care clinics at an hourly rate of $15.40 for a maximum of five hours per day ($77/day). Prior to February 5, 2007, partial hospitalization providers were reimbursed at a rate based on each hospital's individual cost report. During fiscal year 2006, these rates ranged from $87 to $1490 for a five hour day. The median reimbursed rate was approximately $310. As of February 5, 2007, the Division of Medical Assistance and Health Services implemented new Partial Hospitalization and Outpatient Services regulations and rates. The division modified the basis of reimbursement for all hospital outpatient psychiatric services provided to individuals 22 years and older. Specifically, hospitals will be reimbursed a prospective unit rate instead of the existing cost basis.
Claim Payments

The Division of Medical Assistance and Health Services (division) contracts with a fiscal agent to process and reimburse Medicaid providers for service claims submitted to the Medicaid Management Information System (MMIS). The system checks claim information and data validity against claim requirements. There are currently approximately 1,000 of these edits in the system to prevent the processing of improper payments submitted for different Medicaid programs. Each program is responsible for determining the disposition of its edits. Our review found that management had removed or did not have the proper edits to prevent improper claim payments. Our tests noted the following irregular claims were processed and the errors were never detected or resolved.

- During calendar years 2005 and 2006, providers submitted claims for partial hospitalization and other psychiatric services totaling $449,000 that exceeded the five hour maximum allowed per day by the administrative code.
- During fiscal years 2005 and 2006, claims totaling $118,000 from partial care providers were paid for services exceeding the 25 hour per week maximum.
- During fiscal years 2005 and 2006, 1,090 claims for both programs totaling $100,000 were paid to two or more providers for the same client for the same dates of service.

We also noted 9,759 claims totaling $1.5 million billed for a period of time rather than specific service dates. This is known as span billing and the division did not have a procedure to detect and prevent these claims.
In addition, we found providers are assigned one provider number even though they may operate at several locations, making it impossible for the division to determine where the services were provided. Accurate claim data, including the exact location of the service and specific service dates, is essential to properly monitor program payments and to facilitate the detection of improper billings. The division is aware of this problem. However, with the federal Center for Medicare and Medicaid Services potentially requiring that all covered entities use a National Provider Identifier (NPI) by May 23, 2007, the division feels it would be best to assess the impact of the NPI before making any changes to its own system.

**Recommendation**

We recommend the division review its current procedures for disabling system edits and implement procedures that would improve the monitoring of claims for accuracy and propriety. In addition, the division should require uniformity in billing practices by providers and require specific days and locations where services were rendered.

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**On-Site Reviews of Providers**

The division’s Office of Customer Services is comprised of nine Medical Assistance Customer Centers which conduct mental health quality reviews of all partial hospitalization and partial care providers annually. The review guidelines include a determination of the timeliness of the intake evaluation, the existence of a client’s plan of care, and an assessment of the qualifications of the facility’s program staff. The guidelines do not address the quality and appropriateness of the client’s plan of care.

We visited five hospital-based providers and two partial care clinics, and interviewed key personnel and observed therapy sessions to obtain
an understanding of the provider's programs. Our review of case files and attendance records for a sample of clients disclosed that the files contained the required documentation. However, we noted the following billing and care issues.

- One hospital provider included lunch as part of the therapy time and over billed Medicaid an estimated $553,000 for the period July 2004 to October 2006. Per New Jersey Administrative Code 10:52-2.10 (c) 1, programming shall be "exclusive of meals."

- One hospital provider was overpaid $12,700 for services where the patient was either absent or received less service hours than were billed. Included in this amount is a claim for 33 hours of service on a single day when only three hours of service was provided.

- One hospital provider contracted out the partial hospitalization services for their children's program. The hours billed exceeded the actual hours of services provided. We estimate the Medicaid program was over billed $342,000 from July 2004 through December 2006. The same contractor had contracts with three other hospitals for similar services. We estimated the overpayments for those facilities to be $138,000.

- We observed a client performing unsupervised janitorial services, such as cleaning the bathrooms of the facility. The director of the facility stated that it was common for the recipients to clean the facility and that it was considered to be "prevocational therapy." Prevocational therapy per the regulations is defined as intervention strategies and activities that assist individuals to acquire general work behaviors, attitudes and skills needed to take on the role of worker and other life
domains, such as responding to criticism, decision making and negotiating for needs, dealing with interpersonal issues, managing psychiatric symptoms and medication adherence. The unsupervised "janitorial service" therapy provided by the partial care clinic does not meet the definition or intent of prevocational therapy.

- Three hospital providers had programs which included academic services in addition to therapeutic programming for children during the school year. We visited two of these providers and observed a session that was educational in nature. These sessions should not have been billed to the Partial Hospitalization program. According to N.J.A.C. 10:52-2.10(e), the Partial Hospitalization program shall not include student education. We were unable to estimate the dollar amount paid by the division for these educational sessions.

These issues might have been detected and addressed had the division included a review of programming hours and the quality of the services being provided in their assessment tools.

Recommendation

The division should modify the current assessment guidelines to include a review of a facility's programming hours and make a determination of the quality of the therapies. In addition, the reviews of individual clients' attendance records should be expanded to test whether services billed were actually provided. The division should also attempt to recover overpayments.

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Sanctions

Partial care facilities are subject to licensing regulations of the Division of Mental Health Services. According to N.J.A.C. 10:37-10.9 (a), site licensing reviews are performed every three years. In the event deficiencies are identified during the review, the Division of Mental Health Services may issue a conditional license to the facility and/or impose an administrative sanction prohibiting the facility from admitting new clients. The Division of Medical Assistance and Health Services’ provider reviews did not effectively identify noncompliance with these sanctions. By utilizing the Department of Human Services’ Shared Data Warehouse, we found three providers admitted 44 new clients during their sanction period. Claims totaling approximately $42,000 were paid for these new clients.

Additionally, unless there are serious violations leading to an administrative sanction there is currently no monetary penalty for a provider who has a conditional license. We identified 14 providers with conditional licenses. Five of these providers held conditional licenses for a period in excess of one year. According to the Division of Mental Health Services, they are in the process of implementing a plan that would require the correction of serious deficiencies within six months.

Recommendation

The Division of Medical Assistance and Health Services should develop a mechanism to monitor facilities with administrative sanctions and prohibit new admissions until the Division of Mental Health Services has deemed that the deficiencies have been corrected. The Division of Medical Assistance and Health Services should also consider recovery actions against any facility that admitted new clients during the sanction period. Additionally, the Division of Mental Health Services should continue its plan that
The department should implement a policy requiring criminal background checks on provider employees.

would require the correction of serious deficiencies within six months.

Criminal Background Checks

New Jersey Statutes Annotated 45:1-30 requires that every person who possesses a professional health care license or certificate to undergo a criminal history record background check. This statute subjects all physicians, psychiatrists, and nurses working at facilities to this requirement and may affect their professional licensing status. However, our review found there are no regulations that restrict other provider employees with criminal histories from working in partial hospitalization and partial care facilities. There is no criminal background check requirement for these employees.

In fiscal year 2006, there were 35 partial care clinics and 25 partial hospitalization facilities licensed by the state which provide services to children. Although the Department of Human Services has implemented regulations for child care facilities, such as day care centers, and requires all child care center owners, staff members, and employment applicants to undergo criminal history record background checks, these same regulations are not imposed for partial hospitalization and partial care providers. Our review of staff listings at two partial care clinics resulted in the identification of three employees with criminal or disciplinary records which might have precluded their employment from those partial care clinics had similar regulations existed.

Recommendation

We recommend the Department of Human Services require and periodically monitor criminal background checks of all employees of partial hospitalization and partial care providers, especially those providing services to children.
Opportunities for Cost Savings

New Regulations

Governor Richard J. Codey's Executive Order No. 78 directed the department to review its existing regulations dealing with mental health services and programs for adults and children. The Division of Medical Assistance and Health Services, in cooperative effort with the Division of Mental Health Services, implemented new regulations for partial hospitalization services in February 2007. However, the new regulations did not include the children's partial hospitalization program.

The new regulations delineated two separate services, acute partial hospitalization and partial hospitalization services. Under the new regulations, acute partial hospitalization has a six-month limit while partial hospitalization is capped at 24 months, including time spent in both acute and partial hospitalization. Acute partial hospitalization is an intensive and time-limited psychiatric service for individuals who are experiencing, or are at risk for, rapid mental decline and possible inpatient hospitalization. Partial hospitalization provides a comprehensive, non-residential, psychiatric rehabilitation program to assist individuals who have a serious mental illness in increasing or maximizing their independence and enhancing the quality of their lives.

The new regulations modified the cost-based reimbursement methodology for hospital-based outpatient psychiatric services provided to adults. Adult acute and partial hospitalization hourly rates were established which resulted in $325 and $175 per five hour day, respectively. Establishing a fixed rate encourages fiscal efficiencies by the providers and allows the division to exercise control over the budget and cost of the program. The department estimates that an annual cost savings of $36 million will be generated as a
result of the new rates for outpatient psychiatric services. The rates for the children’s partial hospitalization program were not amended and currently range from $94 to $967 per a full five hour day. Furthermore, the new regulations require that the division authorize acute partial hospitalization services provided to adults every 90 days up to a maximum of six months.

Our review indicated that the partial hospitalization program paid claims of approximately $66 million during our audit period for children which represented 32 percent of the total claims of $208 million. If the new partial hospitalization regulations were amended to include children, an additional annual cost savings of approximately $13 million could be achieved. Additionally, prior authorization would ensure that the child’s proposed treatment is properly supported and justified. Finally, since partial hospitalization services are not intended to serve as a permanent service placement, the duration of services rendered would be outlined for children as well as adults.

**Recommendations**

We recommend the division expand and/or modify as necessary the new partial hospitalization regulations to include services for children. The division, in conjunction with the Department of Children and Families, should develop new and/or modify as necessary regulations for the children’s partial hospitalization program which establish hourly rates and address the prior authorization and duration of services.
Hospital-Based Reimbursements in Comparison to Clinic Rates

The division should reevaluate their current reimbursement methodology for certain providers.

Our review found that a provider received a hospital-based reimbursement for its six facilities in three counties. These facilities received a hospital-based rate of reimbursement for its programs due to the provider’s ownership of a licensed special hospital facility in Essex County. The special hospital is licensed for 20 beds; however, the average daily census at the facility in 2003 was 4.2 patients according to a Department of Health inspection report. During our tour of the facility on February 15, 2007, an administrator indicated that there were only two patients.

In a reorganization plan submitted to the Department of Health in July 2004 and later withdrawn, the provider documented its desire to close the special hospital facility due to its chronic underutilization.

The division could achieve significant cost savings by reviewing the license of this special hospital facility and determining whether the provider is more structured as clinics than hospital-based facilities. Based on our review of reimbursements to this provider from 2004 to 2006, we estimated $21 million cost savings could have been realized had the department designated this provider’s six facilities in three counties as partial care clinics rather than as partial hospitalization facilities.

Although the provider is licensed by the Department of Health as a special hospital, the Division of Medical Assistance and Health Services needs to review the hospital designation in context with other hospital facilities providing mental health services to determine whether this provider warrants the same rate of reimbursement traditional hospitals receive for providing on site access to medical support services.
Partial Care Clinics in Hudson County

Our review found that hospital-based providers dominate Hudson County. The only partial care clinic in Hudson County had nominal claims of $252,000 during our audit period while the two largest hospitals received $29.7 million and $9.4 million, respectively, to provide the majority of the partial hospitalization services in the county. Prior to the adoption of the new partial hospitalization regulations in February 2007, the cost based reimbursement methodology resulted in daily rates of approximately $931 and $325 for these two hospitals.

Although the new hospitalization regulations delineated two separate services, adult acute partial hospitalization service and adult partial hospitalization services, and set the rates for these services at $325 and $175 per day, respectively, partial care clinics are still reimbursed at an even lower rate of $77 per day. As noted in a previous finding, the rates for the children’s partial hospitalization program were never amended and currently are $745 and $325 per day for these two hospitals.

Due to the lack of partial care clinics in Hudson County, beneficiaries who could be provided services at a partial care clinic must receive services at a hospital-based provider at higher cost to the state. A moratorium on licensing new partial care clinics was implemented on July 1, 2005 and has denied providers from opening new facilities. The division has completed a review of service utilization among the beneficiary populations and is aware of the disproportionate levels of services within Hudson County.

The division should consider lifting the current moratorium on new licenses for partial care providers in Hudson County to allow new facilities to provide services more economically.

Recommendation
May 30, 2007

Thomas R. Meseroll
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P O Box 067
Trenton, NJ 08625-0067

Dear Mr. Meseroll:

This is in response to your letter of May 14, 2007 to Acting Commissioner Velez concerning the Office of Legislative Services (OLS) draft audit report entitled “Department of Human Services, Division of Medical Assistance and Health Services, Partial Care and Partial Hospitalization Programs.” The letter provides an opportunity to comment on the audit report.

The audit concluded that payments to providers for partial care and partial hospitalization services were reasonable, were related to the programs, and were recorded properly in the accounting system. Also, the audit report indicated enhancements should be made.

The Division of Medical Assistance and Health Services (DMAHS) generally concur with the audit findings with any exceptions noted below.

The summarized findings, recommendations and Auditee response (in bold) are divided into seven categories as written in the audit report. They are subdivided by the first four as findings and the last three items as “Opportunities for Cost Savings”.

FINDINGS:

1. **Claim Payments**

There were claims submitted that fell into the following areas:
• exceeding the five hour per day maximum;
• exceeding 25 hours per week;
• paid to two or more providers for the same client with the same date of service; and
• billed for a period of time (span billing) rather than specific service dates.

It is recommended that the division review its current procedures for disabling system edits and implement procedures that would improve the monitoring of claims for accuracy and propriety. In addition, the division should require uniformity in billing practices by providers and require specific days and locations where services were rendered.

DMAHS is working on system edits to address claim payment findings as identified below:

• partial hospitalization services paid that exceed the five hour per day limit;
• payment of both a Partial Care and Partial Hospital claim on the same date of services for the same recipient; and
• providers billing for a period of time (span billing).

Simultaneously, DMAHS has begun a review of all outpatient hospital claims with dates of services during calendar year 2005 to current to identify all partial hospitalization services paid that exceed the five hour per day limit and has begun a review of all Partial Care and Partial Hospital claims with dates of services during calendar year 2005 to current to identify all possible duplicate services. DMAHS will compare its findings with the information provided by the Office of the State Auditors and initiate provider recoveries as appropriate.

DMAHS has a continued desire to require a unique location identifier for all providers. The federal government has mandated the use of a National Provider Identifier (NPI). DMAHS is assessing options that would allow the achievement of both directives.

2. **On-Site Reviews of Providers**

Seven providers were visited and interviews with key personnel took place. Therapy sessions were observed with the following results:

• one hospital provider billed for lunch.
• one hospital provider was overpaid for services where the patient was absent.
• one hospital provider contracted out the partial hospitalization services for their children’s program and the hours billed exceeded the actual hours of services provided.
• in another facility, a client was observed performing services which did not appear to be prevocational in nature.
• two providers billed for sessions that was educational in nature.

The auditor recommended the division should modify the current assessment guidelines to include a review of a facility’s programming hours and make a determination of the quality of the therapies. In addition, the reviews of individual clients’ attendance records should be expanded to test whether services billed were actually provided. The division should also attempt to recover overpayments.

DMAHS is currently investigating those areas identified in the report and will pursue reimbursement/recovery as appropriate. The DMAHS Medical Assistance Customer Center staff currently utilizes three distinct methods during their partial care/partial hospital record review process: the Partial Care Record Review, the Partial Hospital Record Review and the Partial Care/Partial Hospital Observation utilizing forms to record the results. Both the partial care and partial hospital record reviews monitor fiscal and quality of care indicators which address timeliness and appropriateness of care. The third method uses a supplemental observation form to monitor both types of programs. It also addresses quality of care issues related to administrative oversight of the program, specifically addressing staff interventions related to programming and program administration. Staff is currently required to monitor those specific areas identified in the OLS report. However, it is evident that greater attention is required and will be put forth.

New regulations for partial hospitalization have been recently implemented and new regulations for partial care are currently being drafted. For partial hospitalization, the monitoring tool was expanded from six specific observations to twenty-three. This will allow our staff to expand the attention given to the fiscal component of community mental health as well as focus their attention on quality indicators. A similar process will be completed for partial care monitoring upon adoption of our new partial care regulations. In addition, programmed reports are being established to monitor provider billing. The reports will be run monthly to identify those providers billing outside of regulatory guidelines.

3. Sanctions

Partial care facilities are subject to licensing regulations of the Division of Mental Health Services. In the event deficiencies are identified during the review, the Division of Mental Health Services may issue a conditional license to the facility and/or impose an administrative sanction prohibiting the facility from admitting new clients. The Division of Medical Assistance and Health Services' provider reviews did not effectively identify noncompliance with sanctions found for a few facilities. Additionally, unless there are
serious violations leading to an administrative sanction there is currently no monetary penalty for a provider who has a conditional license.

The auditor recommended the Division of Medical Assistance and Health Services should develop a mechanism to monitor facilities with administrative sanctions and prohibit new admissions until the Division of Mental Health Services has deemed that the deficiencies have been corrected. The Division of Medical Assistance and Health Services should also consider recovery actions against any facility that admitted new clients during the sanction period. Additionally, the Division of Mental Health Services should continue its plan that would require the correction of serious deficiencies within six months.

The audit brought to light a deficiency between DMAHS and the Office of Mental Health Licensing (MHL) in regard to the area of admission sanctions. DMAHS will generate a list of providers placed on admission sanctions from MHL and, utilizing the report created for OLS, monitor programs for compliance with the sanctions. New admissions identified while the program is under a sanction will be properly advised and recovery of any reimbursement for those services will be requested.

4. **Criminal Background Checks**

Although the Department of Human Services has implemented regulations for child care facilities, such as day care centers, and requires all child care center owners, staff members, and employment applicants to undergo criminal history record background checks, these same regulations are not imposed for partial hospitalization and partial care providers. The auditor's review of staff listings at two partial care clinics resulted in the identification of three employees with criminal or disciplinary records which might have precluded their employment from those partial care clinics had similar regulations existed.

We recommend the Department of Human Services require and periodically monitor criminal background checks of all employees of partial hospitalization and partial care providers, especially those providing services to children.

**DMAHS will advise the Department of Human Services staff of this recommendation and assist in the analysis and implementation of needed enhancements in this area.**

**OPPORTUNITIES FOR COST SAVINGS:**

5. **New Regulations**
If the new partial hospitalization regulations reducing Medicaid reimbursement were amended to include children, an additional annual cost savings of approximately $13 million could be achieved.

We recommend the division expand and/or modify as necessary the new partial hospitalization regulations to include services for children. The division, in conjunction with the Department of Children and Families, should develop new and/or modify as necessary regulations for the children’s partial hospitalization program which establish hourly rates and address the prior authorization and duration of services.

The Department of Human Services and the Department of Children and Families work cooperatively in matters of mental health services for children. The Department of Human Services is able to support the Department of Children and Families in their evaluation of this recommendation.

6. Hospital-Based Reimbursements in Comparison to Clinic Rates

The audit found that a provider received a hospital-based reimbursement for its six facilities in three counties. These facilities received a hospital-based rate of reimbursement for its programs due to the provider’s ownership of a licensed special hospital facility in Essex County.

Although the provider is licensed by the Department of Health as a special hospital, the Division of Medical Assistance and Health Services needs to review the hospital designation in context with other hospital facilities providing mental health services to determine whether this provider warrants the same rate of reimbursement traditional hospitals receive for providing on site access to medical support services.

The Department of Human Services is actively engaged in evaluating the existing mental health care delivery system throughout the State. Concerns of comparable payment for similar services, appropriate access to necessary care, and outcome driven care are at the forefront of this endeavor. The Essex County facility identified by the Office of the State Auditor is receiving special focus by the Department to ensure compliance with these and other priority goals.

7. Partial Care Clinics in Hudson County

Due to the lack of partial care clinics in Hudson County, beneficiaries who could be provided services at a partial care clinic must receive services at a hospital-based provider at higher cost to the state. A moratorium on licensing new partial care clinics was implemented on July 1, 2005 and has denied providers from opening new facilities.
The division should consider lifting the current moratorium on new licenses for partial care providers in Hudson County to allow new facilities to provide services more economically.

**DMAHS will review the impact of the license moratorium and the need for additional services in Hudson County.**

The Division continues to follow-up on all of the specific items of concern provided by the auditors. DMAHS has and will take appropriate corrective action on these and any other issues identified. Likewise, DMAHS will further consider corrective action and other enhancements to improve the effectiveness and efficiency of these program activities.

The courtesy and professionalism of the audit staff has been greatly appreciated. If you have any questions or require additional information, please contact me or David Lowenthal at 609-588-7933.

Sincerely,

[Signature]

John R. Guhl
Director

JRG:L

C: Jennifer Velez
   David Lowenthal
June 12, 2007

Thomas R. Meseroll
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P O Box 067
Trenton, NJ 08625-0067

Dear Mr. Meseroll:

I am writing in response to the Office Legislative Services (OLS) draft audit report entitled “Department of Human Services, Division of Medical Assistance and Health Services, Partial Care and Partial Hospitalization Programs” dated May 14, 2007. As a result of the creation of the Department of Children and Families (DCF), children’s partial hospitalization care no longer falls under the purview of DHS. The DCF Division of Child Behavioral Health Services (DCBHS) manages those children’s services lines. I appreciate the opportunity to respond to the findings.

I found the audit to be comprehensive and, as a Department, we value every opportunity to strengthen our internal controls. We will work with the Department of Human Services (DHS) to address each finding identified in the report.

Please note the following comments for inclusion in your final report.

AUDIT COMMENTS

Claim Payments

- DCF will review our existing polices and procedures and revise them to improve our system of monitoring claims.

- DCF is committed to working with Division of Medical Assistance and Health Services (DMAHS) to ensure the integrity of claims and payments.
On-Site Reviews of Providers

- DCF recognizes the critical need for partial care regulations and we will consult with DHS on the new regulations. We will also carefully weigh the feasibility of promulgating regulations for partial hospitalization services specific to the children's service component.

- DCF will fully support DMAHS in any review of past claims and any efforts to recover funds.

Sanctions

- DCF will comply with all sanctions imposed by the DCF Office of Licensing (OOL) and where applicable the DHS Mental Health Licensing. Every effort will be made to ensure that a sound notification process between DCBHS and the OOL is in place to avoid any violations of admissions sanctions.

Criminal Background Checks

- As noted in the report, DCF currently requires criminal history background checks for all children's residential mental health services and child care centers. This practice is in place for the staff at our 18 education sites.

- We acknowledge that a disparity regarding criminal background checks exists and the issue is currently under discussion.

New Regulations

- The Department of Human Services and the Department of Children and Families work cooperatively in matters of mental health services for children. The Department of Human Services is able to support the Department of Children and Families in their evaluation of this recommendation.

- We support your recommendation that there is a need for regulations for children's programs. We will work in conjunction with the Department of Human Services to develop new and/or modify as necessary regulations for the children's partial hospitalization program which will establish hourly rates and address the prior authorization and duration of services.
Hospital-Based Reimbursements in Comparison to Clinic Rates

- DCF is in the process of evaluating all of our service rates. Recently we have adjusted our shelter care, treatment, and group home rates to align our payment structure.

Again, thank you for the opportunity to address the findings and recommendations cited in the audited report. The Department will carefully take under consideration each recommendation in addition we will work in concert with the Department of Human Services to implement measures to improve our system of care.

If you require additional, please feel free to contact me at (609) 984-6837.

Sincerely,

[Signature]
Lisa B. Eisenbud
Chief of Staff

LBE:1
C Commissioner Kevin M. Ryan