



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NOVA BEHAVIORAL HEALTH, INC.
ON BEHALF OF
STARK COUNTY COMMUNITY MENTAL HEALTH BOARD AND
ALCOHOL & DRUG ADDICTION SERVICES BOARD OF STARK COUNTY**

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**NOVA BEHAVIORAL HEALTH, INC.
ON BEHALF OF
STARK COUNTY COMMUNITY MENTAL HEALTH BOARD AND
ALCOHOL & DRUG ADDICTION SERVICES BOARD OF STARK COUNTY**

**SCHEDULE OF ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2002**

Nova Behavioral Health, Inc.:

Carol Hales *	Chief Executive Officer
Penny Gembarosky	Chief Financial Officer

Stark County Community Mental Health Board:

A. Leslie Abel	Executive Director
Jennifer Peveich	Chief Financial Officer

Alcohol & Drug Addiction Services Board of Stark County:

Paul Guttman	Executive Director
Karyn L. Neiman	Associate Director/Director of Financial Services

* Carol Hales was appointed Interim Chief Executive Officer on June 15, 2002, effective June 17, 2002. She replaced Michael Flora, who resigned on June 15, 2002.

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REPORT OF INDEPENDENT ACCOUNTANTS

Mr. Robert D. Horowitz, Stark County Prosecutor
5th Floor Suite 510
Stark County Office Building
110 Central Plaza South
Canton, Ohio 44702

Ms. Lori Adkins, Board President
Mr. A. Leslie Abel, Executive Director
Stark County Community Mental Health Board
800 Market Avenue, North, Suite 1150
Canton, Ohio 44702

Ms. Linda Nelson, Board President
Mr. Paul Guttman, Executive Director
Alcohol & Drug Addiction Services Board of Stark County
800 Market Avenue, North, Suite 400
Canton, Ohio 44702

At your request, we have conducted a Special Audit and performed the procedures summarized below, and detailed in our "Supplement to the Special Audit Report," for the period July 1, 2001 through June 30, 2002 ("the Period"). These procedures were performed solely to determine whether NOVA Behavioral Health, Inc. ("NOVA") duplicate billed the Stark County Community Mental Health Board ("the SCCMHB") or the Alcohol & Drug Addiction Services Board of Stark County ("the ADAS") for services provided during the Period.

This engagement was conducted in accordance with consulting standards established by the American Institute of Certified Public Accountants. The procedures we performed and the results of those procedures are summarized below and detailed in the attached "Supplement to the Special Audit Report":

1. We obtained the billing and payment data from Heartland East Administrative Services Center¹ ("Heartland East") for payments made to NOVA during the Period by both the SCCMHB and the ADAS for services billed by NOVA. We sorted the data and identified potential duplicate payments made to NOVA by either the SCCMHB, the ADAS, or both for the same unit of service.

Significant Results - Heartland East provided us with a data file which contained service and payment data for 18,072 potential duplicate claims submitted by NOVA to both the SCCMHB and the ADAS during the Period. That data file consisted of claims which possessed the same client name and the same service date. We reviewed potential duplicate claims which possessed different units of service. After reviewing 233 patient files and 1,275 such claims which possessed different units of service, we did not identify any duplicate claims.

¹ Heartland East is a six county consortium of mental health and recovery Boards brought together to provide shared administrative services. Heartland East performs those administrative services, which include member services, electronic claims, utilization review, information management, and data analysis, for both SCCMHB and ADAS.

Since potential duplicate claims with different units of service appeared to be consistently valid, we modified the scope of our review to include only those potential duplicate claims which possessed the same client name, the same service date, the same unit of service, and the same service procedure. We eliminated 10,622 (including the 1,275 claims) of the original 18,072 potential duplicate claims since they possessed either different units of service or different service procedures. Therefore, 7,450 potential duplicate claims remained for us to review. Of those claims, 6,062 claims totaling \$411,271 were paid by the SCCMHB and 1,388 claims totaling \$111,621 were paid by the ADAS.

2. We reviewed patient files to determine whether potential duplicate payments made to NOVA by the SCCMHB or the ADAS during the Period were supported by Progress Notes and/or other supporting documentation.

Significant Results - We identified 2,236 claims totaling \$176,883 during the Period which were previously submitted for processing and paid to NOVA by either the SCCMHB or the ADAS. Of those 2,236 claims and \$176,883, we noted 321 claims totaling \$25,886 were repaid to the SCCMHB by NOVA before our special audit was initiated. Of the remaining 1,915 claims totaling \$150,997, 1,190 claims totaling \$93,856 were repaid to the SCCMHB by NOVA after our special audit was initiated through the date of this report.

A Finding for Recovery was originally considered for the \$93,856. Since that amount was repaid to the SCCMHB by NOVA during the course of the special audit it is considered to be a Finding for Recovery Repaid Under Audit. We issued Findings for Recovery totaling \$57,141 against NOVA for the remaining 725 claims which were submitted and paid twice or more by the SCCMHB or the ADAS. Of that amount, \$6,272 is in favor of the SCCMHB and \$50,869 is in favor of the ADAS.

Our review of the initial 1,275 claims involving different units of service and the 7,450 claims that were identical noted the following weaknesses:

- In 72 instances, claims were not supported by Progress Notes although patient files contained other documentation that verified services were provided
- In 24 instances, the service times reflected on Progress Notes overlapped for periods ranging from 2 minutes to 30 minutes
- In 17 instances, the unit of service billed did not agree to the supporting documentation

3. On October 2, 2002 we held an exit conference with the following personnel:

Robert Horowitz	Stark County Prosecutor
Paul Mastriacoco	Stark County Prosecutor's Chief Counsel
John Kotagides	Stark County Prosecutor's Investigator
Jerry Thomas	Stark County Prosecutor's Investigator
Paul Guttman	Executive Director, ADAS
Karyn Neiman	Associate Director/Director of financial Services, ADAS
Les Abel	Executive Director, SCCMHB
Jennifer Peveich	Chief Financial Officer, SCCMHB
Pat Coates	Director, Heartland East

These individuals were given an opportunity to respond to this special audit report. We received responses from ADAS, SCCMHB, and NOVA. The responses were evaluated and changes were made to the report as we deemed appropriate.

This report is intended for the use of the specified users listed above and is not intended to be and should not be used by anyone other than those specified parties. However, reports by the Auditor of State are a matter of public record and use by other components of state government or local government officials is not limited.



Jim Petro
Auditor of State

September 13, 2002

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BACKGROUND INFORMATION

The primary mission of the Ohio Department of Mental Health (“ODMH”) is to ensure that quality mental health care is available in communities to all Ohioans, particularly individuals with serious mental illness. During the fiscal year ended June 30, 2002, Ohio's community mental health systems provided services to 250,000 people, including 70,000 children and more than 75,000 adults who were severely disabled by mental illness.

Community mental health systems are funded, reviewed and monitored by ODMH through 50 county-level boards. Established through legislation passed in 1967, these boards function as “Local Mental Health Authorities,” funding, planning and monitoring services provided by nearly 500 not-for-profit community mental health agencies. Board areas consist of one to five counties, and most oversee both mental health and addiction services as Alcohol, Drug Addiction and Mental Health (“ADAMH”) Services Boards.

The Ohio Department of Alcohol and Drug Addiction Services (“ODADAS”) provides alcohol and other drug addiction prevention and treatment services for the health, safety and productivity of all Ohioans. ODADAS provides nearly 1,100 treatment and prevention programs with a biennial budget approximating \$300 million.

The primary function of ODMH and ODADAS is to process and maintain claims information submitted by various providers throughout the state. The Multi-Agency Community Services Information Systems (“MACSIS”) is an information system developed by ODMH and ODADAS that allows them, and their local boards to manage, measure, and monitor the service utilization of Medicaid, state, and local public funds. MACSIS is designed as a central managed care information system that is maintained at the State of Ohio Computer Center and is accessed by community boards and board consortiums across the state. The MACSIS data processing staff consists of 32 individuals from both ODMH and ODADAS. Community boards have access to the system through a state telecommunication network to the software, which provides for eligibility checking, enrollment, service assessment, billing, and outcome monitoring functions.

The Stark County Community Mental Health Board (“SCCMHB”) is one of the 50 established “Local Mental Health Authorities.” The SCCMHB exists to provide a system of services for persons with mental illness within Stark County. The SCCMHB contracts with local agencies to provide a full array of services ranging from clinical services to vocational training and housing assistance. The SCCMHB also promotes mental health through community education and awareness activities designed to increase public understanding about mental illness, decrease the stigma that surrounds it, and educate the public about the importance of mental health. Meanwhile, the Alcohol & Drug Addiction Services Board of Stark County (“the ADAS”) is a Stark County agency responsible for planning, funding, and evaluating local public and private agencies providing treatment and preventative services for persons with alcohol or drug addictions.

The Heartland East Administrative Services Center (“Heartland East”) is a six county consortium of mental health and recovery Boards brought together to provide shared administrative services. Those county boards include Stark, Portage, Columbiana, Ashtabula, and Wayne/Holmes. The shared services involve the establishment of an administrative services center based at the SCCMHB location in Canton, Ohio. Heartland East manages the consortium’s benefit plans for customers, including member services, electronic claims, utilization review, information management, and data analysis. The Center also provides consultation to each county board, as needed.

Nova Behavioral Health, Inc. (“NOVA”) is a nonprofit entity, organized under the laws of the State of Ohio for the purpose of providing behavioral health services to residents of Stark County. The SCCMHB and the ADAS contract with various not-for-profits, including NOVA, to provide behavioral and mental health services to Stark County residents. NOVA has contracted with the SCCMHB and the ADAS since July 1, 1997.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

NOVA submits claims to Heartland East for services provided to eligible Stark County residents. Heartland East enters those claims into the MACSIS system for processing and payment. The SCCMHB and the ADAS pay NOVA 100% of all valid claims submitted for Stark County residents. The Ohio Department of Jobs and Family Services (“ODJFS”) reimburses both the SCCMHB and the ADAS approximately 60% of all claims for Medicaid eligible Stark County residents who receive services. This is known as the “federal financial participation amount” while the portion of the services paid to NOVA by the SCCMHB and the ADAS is known as the local match.

During 2000, NOVA had difficulties entering certain nonmedicaid claims into the state MACSIS System. On December 11, 2000, the SCCMHB loaned NOVA \$1.052 million to be repaid as NOVA’s processing issues were resolved. Since the beginning of fiscal year 2002, the SCCMHB has applied nearly \$175,000 in payments to this balance, leaving an outstanding balance approximating \$877,000 as of August 31, 2002.

NOVA’s June 30, 2001² audited consolidated financial statements and related reporting package reflect NOVA has suffered reoccurring losses from operations and its total liabilities exceeded its total assets by approximately \$1.2 million which raised substantial doubt about NOVA’s ability to continue as a going concern. In response to the going concern issue, management has evaluated its current operational and billing and collections functions and implemented a budget for the upcoming fiscal year.

On April 16, 2002, Penny Gembarosky, NOVA’s CFO, contacted the ADAS to report certain duplicate payments were received by NOVA from the ADAS. On that same day, NOVA provided to the ADAS the detail of the duplicate claims which totaled \$25,548. On May 31, 2002, the ADAS visited NOVA and reviewed the claims related to the \$25,548 plus certain other potential duplicate claims. The results identified 476 duplicate claims totaling \$39,539 (includes the \$25,548). Based upon the results, the ADAS believed a more comprehensive analysis of NOVA claims should be pursued.

On June 4, 2002, the SCCMHB visited NOVA and reviewed certain potential duplicate claims submitted by NOVA. The SCCMHB reviewed 66 claim lines and noted Progress Notes were not available in 34 instances to support the claim payment.

On June 4, 2002, Robert D. Horowitz, Stark County Prosecutor, based upon information received from the SCCMHB and the ADAS executive directors, requested a special audit be performed by the Auditor of State of the payments made to NOVA by the SCCMHB and the ADAS for the fiscal year ending June 30, 2002. The special audit request asserted a number of unsubstantiated billings could exist that may have involved Medicaid, state, and local funds.

On June 11, 2002, the Auditor of State’s Special Audit Committee voted to initiate a special audit of certain payments to NOVA from July 1, 2001 through June 30, 2002.

² NOVA’s most recent available consolidated financial statement audit

ISSUE – DETERMINE WHETHER SCCMHB AND ADAS MADE DUPLICATE PAYMENTS TO NOVA FOR SERVICES PROVIDED DURING THE PERIOD

PROCEDURES

1. We obtained the billing and payment data from Heartland East for payments made to NOVA during the Period by both the SCCMHB and the ADAS for services billed by NOVA. We sorted the data and identified potential duplicate payments made to NOVA by either the SCCMHB, the ADAS, or both for the same unit of service.
2. We reviewed patient files to determine whether potential duplicate payments made to NOVA by the SCCMHB or the ADAS during the Period were supported by Progress Notes and/or other supporting documentation.

RESULTS

1. Heartland East provided us with a data file which contained service and payment data for 18,072 potential duplicate claims submitted by NOVA to both the SCCMHB and the ADAS during the Period. That data file consisted of claims which possessed the same client name and the same service date. We reviewed potential duplicate claims which possessed different units of service. After reviewing 233 patient files, which represented 1,275 such claims which possessed different units of service, we did not identify any duplicate claims.

Since potential duplicate claims with different units of service appeared to be consistently valid, we modified the scope of our review to include only those potential duplicate claims which possessed the same client name, the same service date, the same unit of service, and the same service procedure. We eliminated 10,622 (including the 1,275 claims) of the original 18,072 potential duplicate claims from our testing because they possessed either different units of service or different service procedures. Therefore, 7,450 potential duplicate claims remained for us to review. Of those claims, 6,062 claims totaling \$411,271 were paid by the SCCMHB and 1,388 claims totaling \$111,621 were paid by the ADAS.

2. Of the 7,450 potential duplicate claims, we identified 2,236 claims totaling \$176,883 during the Period which were previously submitted for processing and paid to NOVA by either the SCCMHB or the ADAS. Of those 2,236 claims and \$176,883, we noted 321 claims totaling \$25,886 were repaid to the SCCMHB by NOVA before our special audit was initiated. Of the remaining 1,915 claims totaling \$150,997, 1,190 claims totaling \$93,856 were repaid to the SCCMHB by NOVA after our special audit was initiated through the date of this report.

A Finding for Recovery was originally considered for the \$93,856. Since that amount was repaid to the SCCMHB by NOVA during the course of the special audit it is considered to be a Finding for Recovery Repaid Under Audit. We issued Findings for Recovery totaling \$57,141 against NOVA for the remaining 725 claims which were submitted and paid twice or more by the SCCMHB or the ADAS. Of that amount, \$6,272 is in favor of the SCCMHB and \$50,869 is in favor of the ADAS.

Although we did not audit Medicaid reimbursements to the SCCMHB or the ADAS by ODJFS, we believe ODJFS may have reimbursed a portion of the duplicate claims to the SCCMHB and the ADAS. We will refer this report to ODJFS for its determination of whether action is warranted on its part to recover any duplicate reimbursements.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Our review of the initial 1,275 claims involving different units of service and the 7,450 claims that were identical noted the following weaknesses:

- In 72 instances, claims were not supported by Progress Notes although patient files contained other documentation that verified services were provided
- In 24 instances, the service times reflected on Progress Notes overlapped for periods ranging from 2 minutes to 30 minutes
- In 17 instances, the unit of service billed did not agree to supporting documentation

The following reflects certain NOVA billing processes. Some of the processes were flowcharted for us by NOVA personnel to facilitate the special audit, while other processes were obtained through various discussions and observations as follows:

As Documented in the NOVA “Information Flow”

- Services are provided to a NOVA client by a NOVA Service Provider (“Provider”)
- The Provider completes a Service Activity Log (“SAL”) which reflects the client’s name, the reporting unit, the service code, and the time the service was provided. The Provider also completes a Progress Note which details, in writing, the services which were provided to the NOVA client
- At the end of the day, the SALs are forwarded to NOVA’s Finance Department with the Progress Notes attached. The SALs are subject to certain review procedures by the Finance Department for accuracy. Information from the SALs is entered into NOVA’s CMHC³ billing system by the NOVA Client Finance Specialist
- Bills are generated by the system weekly and payments are applied to individual accounts after payments are received

As Documented Through Our Observations and Interviews with Certain NOVA Personnel

- SALs were entered into the system by Linda Miller, NOVA Client Finance Specialist. Ms. Miller asserted she was responsible for comparing the SALs to the Progress Notes submitted by the Providers. In cases where Progress Notes were dictated by Providers, Ms. Miller reviewed the SALs for any obvious errors or omissions. At the time of our observation, Ms. Miller and Dawna Offineer, Staff Accountant, asserted the Transcriptions Department was four months behind in transcribing Progress Notes. If a SAL was not supported by a Progress Note, Ms. Miller contacted the NOVA staff member who prepared the SAL to determine whether a Progress Note existed or was dictated. If a Progress Note was dictated, she contacted the transcription department to obtain the transcribed Progress Note. If a problem still existed after she reviewed the Progress Note, Ms. Miller contacted the Provider to obtain more information

³ CMHC is the name of the software system which NOVA uses for billing and it is also the name of the vendor who provided that software.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- Once all of the data from the SALs was input into the CMHC system, Ms. Miller generated several error checking reports. Some of those error reports identified potential duplicate transactions. A report was also generated which identified staff members who had not submitted SALs for processing. Ms. Miller then contacted the appropriate staff members or their supervisors to obtain those SALs which were not yet provided. Duplicate transaction error reports were generated after the data from the SALs was entered into the system and prior to a bill run. The search considered transactions to be duplicated only if they contained the exact same information. As a result, the duplicate transaction searches performed by NOVA could not identify duplicate transactions charged to different accounts
- After exception reports were satisfactorily explained, Ms. Offineer performed a recompute routine. This procedure identified transactions that were updated/corrected and assigned the proper fund source numbers to those transactions for billing. After this procedure was completed, Ms. Miller prepared the bill file. Preparing the bill files consisted of entering the group or funding source to be billed, the type of billing (Medicaid, Medicare, SAMI) and the date range for the billing. Once the bill file was created, Ms. Miller downloaded the file to her computer for error checking using the "Monarch" software package. Monarch permits users to view and analyze reports. The bill file was evaluated in Monarch for validity of dates billed. NOVA cannot bill for services older than one year

Prior to Ms. Offineer's employment, this procedure was performed by NOVA's Chief Financial Officer

- After Ms. Miller reviewed the bill file in Monarch and determined all transactions were within the available billing period, she logged into CMHC and downloaded the file from the CMHC server to another computer. That other computer is connected with Heartland East. The files placed on this computer were text files using a standard EDI format for health care billing files, HCFA 1500 National Standard Format (NSF). The billing file was not security protected once it was transferred from CMHC. The file became security protected once again when it was received by Heartland East. Additionally, at NOVA, the room which maintained the server had limited physical security controls. The door to the room maintained a simple door lock and the door remained unlocked at the time of our observation
- In order to facilitate the patient billing and payment status, a specific file name was established whenever a bill file was created within the CMHC system. During the Period, the bill files were assigned standard names based upon the type of bill file created. For example, the bill file was labeled with a name such as "1000001" for Medicaid claims. That file was then exported to another server for subsequent submission to Heartland East. Once exported to the other server, a NSF file was created and labeled with a name such as "H006708." A file extension also assigned to the file based upon the Julian Date (i.e., the day the bill file was created). Thus, the final file name of an NSF 6708 bill file created on the 171st day of the year would be "H006708.171." This exported NSF text file has no relevance with respect to controls within the CMHC application; however, it has been described for informational purposes

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

- After the bill file was transmitted to Heartland East, Ms. Miller prepared a file transmission sheet which listed the file name, number of records, number of claims, and the total billing amount. The file transmission sheet was used by Heartland East to verify that the transmitted bill file was complete. On the following day, Ms. Miller inquired about the status of the bill file. If Heartland East accepted the bill file, then Ms. Miller “flipped the flags.” If the file was rejected, Heartland East faxed a “Potential Duplicate Claims” form to NOVA and Ms. Miller reviewed all of the claims on that form to determine whether those claims were valid or invalid claims. During May 2002, the billing transmission and claims verification and validation procedures were assigned to Ms. Offineer to establish segregation of duties between the input and the transmission, verification, and validation of data

Our audit identified three distinct time frames when the significant duplicate billings occurred. Those dates include April 1, 2002 and April 15, 2002; November 5, 2001 and January 14, 2002; and April 8, 2002, May 13, 2002, and June 10, 2002. Those three time periods and the pertinent explanations for the duplicate claims submission are described in more detail as follows:

April 1, 2002 and April 15, 2002 Duplicate Claims

As part of the April 1, 2002 billing⁴, NOVA submitted 1,413 claims totaling \$112,067 for payment from the SCCMHB. All of those claims represented residential treatment services provided from July 1, 2001 through October 31, 2001.

On April 24, 2002, NOVA was paid in entirety for those claims. On April 15, 2002, NOVA resubmitted those same 1,413 claims for processing and payment. On May 8, 2002, NOVA was once again paid \$112,067 for those same claims.

Possible Explanations for the April 1, 2002 and April 15, 2002 Duplicate Claims

For the service months August through and October 2001, NOVA billed both the SCCMHB and the ADAS for residential treatment services using an invalid procedure code. All of those billings were initially denied by Heartland East. NOVA corrected the procedure code and resubmitted the claims to the SCCMHB and the ADAS with the April 1, 2002 billing. However, NOVA also resubmitted those same claims with the April 15, 2002 billing.

During interviews with us, Ms. Gembarosky, Ms. Offineer, and Ms. Miller asserted Ms. Miller did not “flip the flag⁵” after the April 1, 2002 billing was submitted. Therefore, those same claims were billed again during the April 15, 2002 billing.

The files within the CMHC application do not maintain unique file names but maintain a standard name and new billing files merely “roll over” the previous bill file. As a result, the previous bill files are “lost.” Therefore, we were unable to determine whether or not the flag was flipped after the April 1, 2002 billing. Additionally, limited controls exist to help ensure the NSF bill files are not modified. However, since the previous bill files were “lost”, we were unable to determine whether the NSF bill files were modified after they were extracted from CMHC. Overall as it relates to the April 15, 2002 duplicate billings, we were unable to determine whether those duplicate claims occurred because the flags were not flipped after the April 1, 2002 billing or because someone altered the NSF text file.

During May 2002, NOVA began uniquely naming each bill file within CMHC.

⁴ For purposes of this report, the billing dates represent the date ODJFS accepts the billing information provided from Heartland East. ODJFS assigns claim numbers on this date.

⁵ The phrase “flip the flag” describes a task which should be performed by the computer operator after a billing file has been generated. At the end of a bill file creation, the CMHC application prompts the user to update the patient records (i.e., flip the flag). If the flag is flipped, the patient records indicate that the service has been billed. If the patient records are not updated, they will be billed again whenever similar type transactions are billed (i.e. duplicate billings).

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

We noted NOVA prepared a billing file on April 8, 2002 and we inquired why the April 15, 2002 duplicate billings were not picked up as part of the April 8, 2002 billings. During interviews, Ms. Gembarosky, Ms. Offineer, and Ms. Miller believed the April 8, 2002 billing was for services provided in a specific time period (i.e., that week) and thus the transactions from the April 1, 2002 billing would not have been picked up in the April 8, 2002 billing.

All three NOVA employees further asserted that a cumulative billing is usually performed during the middle or end of each month to “sweep up” any unbilled claims. As a result, the April 15, 2002 billing was probably for a service period that included the April 1, 2002 transactions. Thus, since the flags were not flipped after the April 1, 2002 billing was submitted, the system considered those transactions unbilled and they were re-billed as part of the April 15, 2002 billing.

After NOVA submitted the April 15, 2002 billing, Heartland East reviewed that billing to determine whether any of those claims were previously submitted, or were submitted twice in that billing. After that review, Heartland East faxed a “Potential Duplicate Claims” form to NOVA which identified all of those transactions which were submitted for the second time with the April 15, 2002 billing as potential duplicate claims. At this point, NOVA was requested to verify whether those claims were valid or invalid claims. In an interview, Ms. Miller originally asserted Ms. Offineer, her immediate supervisor, told her to review only a few of the potential duplicate transactions contained in the exception report from Heartland East for the April 15, 2002 billing. Ms. Miller further asserted that she was instructed to indicate that all potential duplicate claims were valid claims if nothing was wrong with those few transactions she reviewed. Within the same interview, Ms. Miller asserted she was not sure whether Ms. Offineer had told her to review only a few of the potential duplicate claims, or, since she was under time constraints to get the “Potential Duplicate Claims” form back to her supervisor, she only verified a few transactions on her own. In either case, the method she used to verify those transactions was simply to go back into the computer application and check when the transaction was originally billed. Since the flag was allegedly not flipped after the April 1, 2002 billing submission, the billing date for those transactions would have been changed to the new billing run and those transactions would have appeared in the system as if they were new claims. Based on this review methodology, all transactions that were duplicates would be accepted as valid since the billing date had been updated.

November 5, 2001 Duplicate Claims and January 14, 2002 Triplicate Claims

As part of the November 5, 2001 billing, NOVA submitted 150 claims for payment; however, the CMHC billing system incorrectly selected two separate funding sources and billed those same transactions twice⁶. NOVA ultimately received \$13,655 from the ADAS for services provided to SAMI⁷ eligible clients and \$10,527 from ADAS for Medicaid related services. On January 14, 2002, NOVA, again submitted the same 150 claims to the ADAS totaling \$13,655 for payment. The November 5, 2001 Medicaid and SAMI billings were \$3,128 different because the Medicaid reimbursement rate approximated 60% of the claim while SAMI reimbursed 100% of the claim.

⁶ During our audit of the files identified as duplicates from the Hartland East billing file, it was determined that for certain transactions in the November 5, 2001 billings, single events caused duplicate billings. The billings were virtually identical except with respect to the Unique Provider Identifier (UPI) and the amount billed. For those transactions, one bill was created for the SAMI (Substance Abuse/Mentally Ill) grant (UPI 6945) and the other billing was created for Medicaid (UPI 6708). The Medicaid billing for those transactions, which was billed to the ADAS, was 60.179% of the SAMI billing for those transactions. On August 14, 2002, Ms. Offineer asserted the SAMI funding source number within the CMHC system was incorrectly placed within two separate billing groups (ADAS–SAMI and ADAS–Medicaid). Since the transactions were located within two distinct billing groups, they were picked up in both the SAMI bill run and the Medicaid bill run. These two bill runs were performed separately, generally with the Medicaid bill run performed after the SAMI bill run.

⁷ SAMI grant funds were awarded to NOVA by ODADAS. The SAMI grant consists of 50% federal funds (Community Mental Health Services Block Grant) and 50% state funds (ODADAS).

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

All of those claims were for services provided to NOVA SAMI clients during the period August 1, 2001 through August 31, 2001. NOVA was paid the \$13,655 and the \$10,527 by the ADAS on March 7, 2002 for those claims related to the November 5, 2001 billing. NOVA was paid \$13,655 by the ADAS on May 9, 2002 for those claims related to the January 14, 2002 billing. Although, we did not audit any reimbursement of those claims to the ADAS, we believe the ADAS may have been subsequently reimbursed by ODADAS for those claims with the state portion of the SAMI Grant⁸. We will refer this report to ODADAS for its determination of whether action is warranted on its part to recover any duplicate reimbursements.

Possible Explanations for the November 5, 2001 Duplicate Claims and January 14, 2002 Triplicate Claims

On November 5, 2001, NOVA prepared two separate billings. The first billing represented SAMI related services while the other billing represented Medicaid related services. During interviews with us, Ms. Gembarosky, Ms. Offineer, and Ms. Miller asserted Ms. Miller did not “flip the flag” after the November 5, 2001 SAMI billing was generated; therefore, those same claims were billed again as part of the November 5, 2001 Medicaid billing. During interviews with us, Ms. Gembarosky, Ms. Offineer, and Ms. Miller asserted Ms. Miller did not “flip the flag” after the November 5, 2001 Medicaid billing was generated; therefore, those same claims were billed for a third time as part of the January 14, 2002 SAMI billing.

Overall as it relates to the November 5, 2001 duplicate billings and January 14, 2002 triplicate billings, we were unable to determine whether those duplicate and triplicate claims occurred because the flags were not flipped after the November 5, 2001 billings or because someone altered the NSF text file.

As it relates to the overlapping funding sources, both Ms. Offineer and Ms. Gembarosky asserted neither of them established the bill spec file which includes billing groups, funding sources, reimbursement rates, nor knew who did. Both employees asserted several NOVA employees including the Information Technology (IT) and Accounts Receivable departments had access and could modify the bill spec file. The bill spec file determines which procedures are billed from what funding sources, which procedures are billed from which NOVA locations, and what funding sources are in which billing groups.

In follow up discussions on September 11, 2002, both Ms. Offineer and Ms. Gembarosky re-affirmed previous discussions except they both indicated the flags should have been flipped after the SAMI bill run to ensure those client billings were updated. Then, after the flag was flipped for those SAMI transactions, the Medicaid billing should have been run. However, they both also asserted that in practice, the flags are not flipped until after Heartland East confirms the files have been received and are complete based on record and dollar totals included on NOVA's fax coversheet. Because of NOVA's practice of not flipping the flags until Heartland East had confirmed the billing files were both received and complete, and as long as SAMI's funding source number was located within two distinct billing groups, NOVA would continue to duplicate bill SAMI transactions if SAMI and Medicaid billings were run on the same day.

In addition to the November 5, 2001 duplicate billings explained above, all of the SAMI transactions from the November 5, 2001 billings were submitted again on January 14, 2002, thus making those particular transactions triple billings. Both Ms. Gembarosky and Ms. Offineer asserted this occurred because the flags remained unflipped in CMHC. After reviewing the billing data for NOVA provided by ODJFS, it appeared that NOVA had other triplicate billings of this nature, but the double and triple portions of those billings were denied by either the SCCMHB or the ADAS during their respective review procedures.

⁸ The SAMI Grant is funded to recipients by ODADAS with part federal funds and part state funds. None of the duplicate payments, as identified in this report, were funded with the federal funds portion of this grant.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

April 8, 2002 Duplicate Claims; May 13, 2002 Duplicate Claims; and June 10, 2002 Duplicate Claims

As part of the April 8, 2002 billing, NOVA submitted 37 claims for payment; however, similar to the November 5, 2001 billing, the CMHC billing system incorrectly selected two separate funding sources and billed those same transactions twice. NOVA ultimately received \$2,829 from the ADAS for services provided to SAMI eligible clients and \$2,829 from the ADAS for Medicaid related services. The April 8, 2002 SAMI billings were correctly reimbursed at 100% of the claim, while the duplicate Medicaid claims were also reimbursed at 100% of the claim⁹.

This same scenario occurred again on May 13, 2002 and June 10, 2002. As part of the May 13, 2002 billing, NOVA submitted 45 claims totaling \$3,111 twice for payment from the ADAS for services provided to their SAMI clients. As part of the June 10, 2002 billing, NOVA submitted 63 claims totaling \$5,484 twice for payment from the ADAS for services provided to their SAMI clients.

Possible Explanations for the April 8, 2002 Duplicate Claims; May 13, 2002 Duplicate Claims; and June 10, 2002 Duplicate Claims

On April 8, 2002, May 13, 2002, and June 10, 2002, NOVA prepared two separate billings. The first billing represented SAMI related services while the other billing represented Medicaid related services. During interviews with us, Ms. Gembarosky, Ms. Offineer, and Ms. Miller asserted Ms. Miller did not “flip the flag” after those SAMI billings were generated; therefore, those same claims were billed again as part of the April 8, 2002, May 13, 2002, and June 10, 2002 Medicaid billings.

Overall, as it relates to the April 8, 2002, May 13, 2002, and June 10, 2002 duplicate claims, we were unable to determine whether those duplicate claims occurred because the flags were not flipped after those billings or because someone altered the NSF text file.

As stated previously, the funding source number for SAMI was placed within two distinct billing groups within the CMHC system. The difference between the duplicate transactions on April 8, 2002, May 13, 2002, and June 10, 2002 and the November 5, 2001 duplicate transactions was that SAMI and Medicaid transactions were billed at the same rate on April 8, 2002, May 13, 2002 and June 10, 2002 while the Medicaid transactions were billed at 60.179% of the SAMI rates on the November 5, 2001 billing. This would indicate that NOVA’s funding source records were altered between November 5, 2001 and April 8, 2002. Both Ms. Gembarosky and Ms. Offineer asserted the Medicaid billing rate would have had to been changed in the bill spec files for this to have occurred. In addition, as stated previously, both indicated they were not responsible for making those changes.

Ms. Gembarosky asserted Medicaid should have paid their portion of SAMI bills for Medicaid eligible patients, while the remainder of those bills should have been paid by the SAMI grant as the local matching requirement. NOVA’s SAMI patients, who were not Medicaid eligible, were fully funded by the SAMI grant. The duplicate billings of November 5, 2001; April 8, 2002; May 13, 2002; and June 10, 2002 were related only to Medicaid SAMI patients. During the start of the Period, NOVA was responsible for calculating both the Medicaid and the SAMI grant portions of billings for Medicaid eligible SAMI patients. According to Ms. Gembarosky, at some point during the Period, this process became the ADAS responsibility. Thus, NOVA submitted bills for their Medicaid eligible SAMI patients to the ADAS and the ADAS reimbursed the full amount to NOVA and administered the local match reimbursement from SAMI grant funds.

⁹ This was different from the November 5, 2001 billing, when the Medicaid claim reimbursement approximated 60% of the claim.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

FINDING FOR RECOVERY REPAID UNDER AUDIT/FINDING FOR RECOVERY

Of the 7,450 potential duplicate claims, we identified 2,236 claims totaling \$176,883 during the Period which were previously submitted for processing and paid to NOVA by either the SCCMHB or the ADAS. Of those 2,236 claims and \$176,883, we noted 321 claims totaling \$25,886 were repaid to the SCCMHB by NOVA before our special audit was initiated. Of the remaining 1,915 claims totaling \$150,997, 1,190 claims totaling \$93,856 were repaid to the SCCMHB by NOVA after our special audit was initiated through the date of this report.

A Finding for Recovery was originally considered for the \$93,856. Since that amount was repaid to the SCCMHB by NOVA during the course of the special audit it is considered to be a Finding for Recovery Repaid Under Audit.

The remaining 725 claims totaling \$57,141 were submitted twice or more by NOVA and paid twice or more by either the SCCMHB or the ADAS.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is issued against Nova Behavioral Health, Inc. in the amount of \$57,141 and in favor of the Stark County Community Mental Health Board (\$6,272) and the Alcohol & Drug Addiction Services Board of Stark County (\$50,869).

NONCOMPLIANCE CITATION

Ohio Admin. Code Section 5122-27-04(I) states:

“Progress Notes shall reflect Individualized Service Plan (“ISP”) implementation, including documentation of the choices and perceptions of the person served regarding the service(s) received and shall:

1. contain descriptions of changes in the person’s condition and needs, and of the person’s responses to services provided;
2. be dated, signed, legible and include the professional qualifications of the individual making the entry;
3. include notes from staff member(s) providing each service; and
4. be recorded upon each service contract.

We identified 72 claims which were not supported by Progress Notes although patient files contained other documentation that verified services were provided. In most of these instances, progress notes were dictated by NOVA staff members. Linda Miller, Client Finance Specialist, and Dawna Offineer, Staff Accountant, both asserted the transcriptions department was four months behind in transcribing progress notes.

NOVA staff members should complete Progress Notes before preparing their SALs for billing purposes. In addition, NOVA employees should not enter any data from the SALs into the CMHC billing system unless that data is supported by Progress Notes.

MANAGEMENT COMMENTS

Outstanding Loan to NOVA

As noted in the Background Information portion of this report, during 2000, NOVA had difficulties entering certain nonmedicaid claims into the state MACSIS System. As a result, on December 11, 2000, the SCCMHB loaned NOVA \$1.052 million to be repaid as NOVA’s processing issues were resolved. Since the beginning of fiscal year 2002, the SCCMHB has applied approximately \$175,000 in payments to this balance, leaving an outstanding balance approximating \$877,000 as of August 31, 2002. Also noted in the Background Information, NOVA’s June 30, 2001, audited consolidated financial statements and related reporting package reflected NOVA has suffered reoccurring losses from operations and its total liabilities exceeded its total assets by approximately \$1.2 million which raised substantial doubt about NOVA’s ability to continue as a going concern.

SUPPLEMENT TO THE SPECIAL AUDIT REPORT

Prior to entering into any further contracts for services with NOVA, we recommend SCCMHB and ADAS assess NOVA's current ability to continue as a going concern. Additionally, SCCMHB and ADAS should develop contingency plans in the event NOVA ceases to exist or is no longer able to provide contracted services. SCCMHB and ADAS should monitor NOVA's progress to make improvements to its financial viability and implement its contingency plans if NOVA is unable to alleviate its financial difficulties. Additionally, we recommend that any future contract with NOVA include specific provisions for the repayment of the outstanding loan amount or withholding of a portion of future payments to NOVA by SCCMHB for services provided

Segregation of Duties

The NOVA employee who entered the billing information from the SALs into the CMHC billing system also ran exception reports, generated the bill file, and reviewed potential duplicate claims identified by Heartland East for validity.

To ensure maximum segregation of duties, the person responsible for data entry should not perform any other procedures. A separate individual should be responsible for running exception reports to ensure data entry is accurate and complete. A third individual should then be responsible for generating the bill file. Once the bill file is created, the control totals should be submitted back to the individual responsible for testing data accuracy so the bill file can be reviewed. Once the reviewer accepts the bill file, the person who generated the bill file should submit the bill file to Heartland East. After submission, the employee who verified the accuracy of the billing data should submit the controls totals to Heartland East and follow up on any errors noted.

System Access

Several employees within NOVA have the ability to modify the bill spec files which include funding sources and contract amounts.

NOVA should provide access only to those employees who perform specific duties within the CMHC application and on the server used to transmit data to Heartland East and their access should be limited to their prescribed duties.

Writing Over Old Files

Since a bill file within the CMHC application had a standard name which was not changed between billing periods, the original bill file was written over when the new bill file was created. The significance of that process impacted two distinct control aspects. First, since the old bill file was written over by the new bill file, we were unable to determine whether a flag was flipped after a previous billing. Secondly, we could not determine the integrity of the NSF bill file sent to Heartland East because we could not compare the data in that file to the data in the original file within CMHC. Because of those control weaknesses, we could not determine whether the duplicate claims submitted occurred because the flags were not flipped after the bill file was generated, or because someone altered the NSF text file submitted to Heartland East.

NOVA should provide a different file name to all bill files generated and not over write previously generated bill files in order to allow for review of the completeness and accuracy of previous billings.

Billing Data

We identified 24 instances where the service times reflected on Progress Notes overlapped and 17 instances where the unit of service billed did not agree to supporting documentation.

NOVA staff members should use due professional care when completing Progress Notes to ensure that the service times are recorded correctly.



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NOVA BEHAVIORAL HEALTH, INC.

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 16, 2002**