



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
ROOM 525 HEALTH & WELFARE BUILDING
HARRISBURG, PA 17105-2675

SEP 02 2008

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KEVIN M. FRIEL
DIRECTOR

Ms. Charlene M. Brennan, D.Ed.
Executive Director
Colonial Intermediate Unit 20
6 Danforth Drive
Easton, Pennsylvania 18045-7899

Dear Ms. Brennan:

Enclosed is the final report of the Colonial Intermediate Unit 20, completed by this office. Your written response has been incorporated into the final report and labeled Appendix A.

The final report will be forwarded to the Department of Public Welfare's (DPW) Office of Medical Assistance Programs.

I would like to express my appreciation for the courtesy and cooperation extended to my staff during the course of the fieldwork.

Please contact Mr. Alex Matolyak, Division of Financial Policy and Operations at (717) 783-7786 if you have any questions concerning this matter.

Sincerely,

A handwritten signature in cursive script that reads "Kevin M. Friel".

Kevin M. Friel

Enclosure

cc: Mr. Michael Nardone
Ms. Joan Erney
Ms. Brenda Tewell
Mr. Philip E. Mader
Ms. Laurie A. Rock
Mr. Michael Orr
Mr. John Tommasini
Ms. Jeannine Weiser



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SEP 02 2008

KEVIN M. FRIEL
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Mr. Michael Nardone
Deputy Secretary for Medical
Assistance Programs
Health and Welfare Building, Room 515
Harrisburg, Pennsylvania 17120

Ms. Joan L. Erney
Deputy Secretary for Mental Health and
Substance Abuse Services
DGS Annex, Bldg. 11, Room 211
Harrisburg, Pennsylvania 17120

Dear Mr. Nardone and Ms. Erney:

In response to a request from the Bureau of Program Integrity (BPI), Office of Medical Assistance Programs (OMAP), the Bureau of Financial Operations (BFO) has completed a performance audit of the Colonial Intermediate Unit 20 (IU 20) Partial Hospitalization (PH) Program. The request for the audit resulted from an anonymous complaint received by BPI that alleged the IU 20 was receiving full funding for the PH from the school districts and then billing Medical Assistance (MA) for the same services. The audit was primarily directed towards review of the allegation as well as IU 20's compliance with select Chapter 5210 and MA regulations which govern PH services.

IU 20 elected not to have an exit conference. The IU 20 written response has been incorporated into the final report and labeled Appendix A.

The audit identified IU 20 did not receive duplicate payments from two funding sources, with MA funds used to reduce the costs of PH services funded through the school districts.

**Colonial Intermediate Unit 20
Partial Hospitalization Program
July 1, 2006 through December 31, 2007**

**Colonial Intermediate Unit 20
Executive Summary**

The IU 20 PH program is a school based program that provides both educational and mental health treatment services. The school district in which the child resides is programmatically and fiscally responsible to provide the educational services. The IU 20 delivers PH services at 22 licensed sites. Nineteen of the sites are located in seven high schools, seven middle schools, and five elementary schools located within the member school district buildings. The three remaining sites are located within the IU 20 Colonial Academy. The Colonial Academy is a specialized school program run by IU 20.

PH Programs are provided to children in 12 school districts. The Bethlehem School District represents approximately 33 percent of PH services. Each classroom is designed to serve approximately 10-12 children. Staffing for each site is comprised of a teacher, assistant teacher, mental health treatment specialist and mental health worker.

The PH Program is governed by the Chapter 5210 regulations. The regulations outline the standards used by DPW to license children and adult PH. The Program is licensed to provide services to 220 children. MA regulations define a PH unit of service as one hour. A minimum of three hours must be provided to allow billing, with a maximum of six hours per day.

The report findings are summarized below:

FINDINGS	SUMMARY
<i>Finding No. 1 – IU 20 is Not Receiving Duplicate Payments from Two Funding Sources</i>	The BPI received an anonymous complaint that IU 20 receives duplicate payments from two funding sources for PH. We determined IU 20 is not receiving duplicate payments. IU 20 has credited the school districts \$1,783,111 and \$2,135,211 in MA funding for Fiscal Years 2005-06 and 2006-07 respectively to reduce the cost of PH services funded through the school districts.

FINDINGS	SUMMARY
<i>Finding No. 2 - IU 20 Complies with Select Chapter 5210 and MA Regulations</i>	We determined IU 20 complies with select MA and Chapter 5210 regulations with respect to staffing and billing of PH services. IU 20 has developed a software program with edits specifically designed to ensure compliance with select MA regulations such as eligibility and provision of authorized units.

**Colonial Intermediate Unit 20
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Background

The IU 20 is one of the 29 intermediate units throughout Pennsylvania which were created in 1971 to provide services to school districts in ways that create economics of scales, cost savings and better efficiencies in the delivery of important programs and services to children. Some of those services include special education, early intervention services, alternative education services, provider 50 services, emotional support and partial hospitalization.

The IU 20 services 13 school districts and 3 career and technical centers in Northampton, Monroe and Pike. The IU 20's audited financial expenses for the entire organization for Fiscal Year 2006-07 was \$65,577,515.

IU 20's audited financial statements for Fiscal Year 2006-07 reports revenues of \$6,644,238 and expenses of \$6,394,512 for the PH Program. IU 20's Fiscal Year 2007-08 PH budget identifies expenses of \$6,924,049. The funding of expenses is comprised of:

School Districts	\$4,482,582	65%
MA	2,058,000	30%
IU/Commonwealth	<u>383,467</u>	<u>5%</u>
	\$6,924,049	100%

IU Budget Process

The IU 20 develops its PH budget based upon prior year expenses, revenues and units. An interim rate is developed for each center within the school districts. MA funding is based upon a unit cost of \$14.50 if the child is enrolled in managed care or \$15.00 if fee-for-service. For Fiscal Year 2007-08, MA revenues were budgeted \$2,002,000 based on 136,000 units.

The \$2,002,000 is used to offset the cost of PH services funded by the school districts. At the beginning of the year \$8.50 of MA is credited to the school districts. The school districts agreed to the IU holding back the remaining \$6.00 until year-end to provide cash flow to the IU. At year-end, IU reconciles the interim rates to actual units and expenses for each school district. The IU reimburses or credits the remaining \$6.00 of MA funding in making final settlement.

Objective, Scope and Methodology

The audit objectives, developed in concurrence with BPI were:

- To determine if IU 20 receives duplicate payments from both MA and the school districts for provision of PH services.

**Colonial Intermediate Unit 20
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- To determine if IU 20 is in full compliance with select Chapter 5210 and MA Regulations.

In pursuing these objectives, the BFO interviewed staff members from IU 20. We also reviewed accounting records, CPA audits, budgets, financial records, billings to school districts, and other pertinent data necessary to complete our objectives.

Government auditing standards require we obtain an understanding of management controls that are relevant to the audit objectives described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of those controls. Based on our understanding of the controls no significant deficiencies came to our attention other than those described in the findings included in this report.

Fieldwork for this audit took place between March 27 and April 10, 2008 and was performed in accordance with general accepted government auditing standards. The report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Finding No. 1 – The IU 20 Is Not Receiving Duplicate Payments From Two Funding Sources

We determined the IU 20 was not receiving duplicate payments from both the school districts and MA for the provision of PH services. For Fiscal Years 2005-06 and 2006-07, the cost of PH services funded by the school districts was reduced by MA funds of \$1,783,111 and \$2,135,211 respectively.

The IU 20's PH budget and reconciliation process (See Background) ensures 100 percent of MA revenues received from DPW which funds the PH mental health treatment component are credited to the school districts in making final settlement. After completion of the year-end audit, the IU's cumulative fund balance for PH services is reviewed to determine if additional funds could be returned to the school districts. As of June 30, 2007, the IU PH fund balance was \$428,060. The IU returned \$225,797 of the fund balance back to the school districts in proportion to the costs of each school district.

Reason for High Cost of PH Services

The total cost per unit budgeted for Fiscal Year 2007-08 was \$50.92 (See Exhibit A). Unlike traditional PH programs which provide mental health treatment services, the IU 20 model incorporates an education component with treatment. Staffing for each site is comprised of a teacher, assistant teacher, mental health treatment specialist and mental health worker. A psychiatrist monitors and supervises the treatment of all children.

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The PH budget is not segregated by mental health and education. We analyzed costs from the Fiscal Year 2007-budget to establish a cost per unit for the education and treatment components. The mental health/treatment component was \$30.92 and the education component was \$20.00 for a total cost of \$50.92 per unit. The school districts fund 100 percent of the education component plus \$15.92 per unit or \$2,165,120 of the mental health/treatment component. MA provides funding for the remaining \$15.00 per unit of mental health/treatment services.

The cost of benefits and payroll taxes approximate 48 percent of salaries. The cost of health insurance and participation in the State retirement system are significant drivers in contributing to the high cost of benefits and total cost of PH services.

For Fiscal Year 2007-08, the IU budgeted \$150,000 for a capital projects fund designated for future improvements and/or replacement of the IU facility. This is a first time budget item which may or may not be realized based on final revenues and expenditures. The inclusion of capital project funds in the PH budget is reviewed and approved by the school districts as part of the IU budget process.

Finding No. 2 - IU 20 Complies With Select Chapter 5210 And MA Regulations

We tested compliance with select PHP and MA regulations and determined IU 20 is in compliance with those regulations.

Our results identified:

- Regulation 5210.31(b) requires a minimum of one staff member for every five children. Based on a two-week sample period, the PH census would require provision of 40 mental health workers. IU 20 had 51 direct care workers in the PH Program during this period which exceeded minimum requirements by 27 percent.
- IU 20 contracts with a psychiatrists group to provide treatment to the children. Regulation 5210.31(c) requires a minimum of two hours of psychiatric time per week for every five children of program capacity. At the time of our review, IU 20 capacity for the program was 220. This would require 88 hours a week of psychiatric time. IU 20 provided on average 91.5 hours a week of psychiatric time from the contracted psychiatrists which exceeded minimum requirements by 4 percent.
- IU 20 provides the educational component as required by law.

The BFO also reviewed certain aspects specific to MA requirements. IU 20 has invested in a software program that enables them to be more efficient and compliant with reports and billings to MA. The software allows IU 20 to track statistics, eligibility, and provide safeguards when billing MA. Our review of the software identified:

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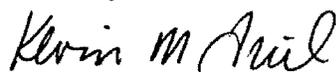
- MA eligibility is confirmed daily by the billing department. The software creates a file to be sent to EVS. IU 20 sends the file daily and imports the results the following day. IU 20 does not bill MA if the child has a third party payor or EVS confirms the child is not eligible. IU 20 will contact the school district for additional information, and once EVS confirms eligibility, MA will be billed.
- The system also tracks the amount of units available and authorized. MA regulation 1153.53(i) limits the amount of partial units to 720 in a consecutive 365 day period, unless a waiver is granted. We identified the average daily attendance for Fiscal Year 2006-07 was approximately 185 children. Of this total, 92 children averaged a minimum attendance of 150 days which would require waivers be submitted for most of these children. IU 20 officials informed us as the children approach the 720 maximum units, the software, based on the diagnosis and school year remaining, alerts to the need to submit a waiver to MA and the waivers have been routinely approved.
- For wrap-around services (i.e. Provider 50), the system identifies time limits for which a child must be enrolled in the program. If the child is enrolled in both the PH Program and Provider 50, the system does not allow the IU 20 to enroll them simultaneously. This prevents IU 20 from billing two services at the same time.

Overall, IU 20 complies with select 5210 regulations. In addition, the software program allows IU 20 to more effectively track and monitor compliance with MA regulations. IU 20 officials informed us they would like to market the software for use by PH programs.

IU 20 elected not to have an exit conference. The IU 20 written response has been incorporated into the final report and labeled Appendix A.

Note that this report does not contain any recommendations that require your attention or action and a response is not required. If you would like your comments to be included within the official record, those comments should be forwarded to the Audit resolution section within sixty days of the issue date of the final report. Please contact Mr. Alex Matolyak, Audit Resolution Section at (717) 783-7786 if you have any questions or if we can be of any further assistance in this matter.

Sincerely,



Kevin M. Friel

Attachment

**Colonial Intermediate Unit 20
Partial Hospitalization Program
July 1, 2006 through December 31, 2007**

cc: Ms. Brenda Tewell
Mr. Philip E. Mader
Ms. Laurie A. Rock
Mr. Michael Orr

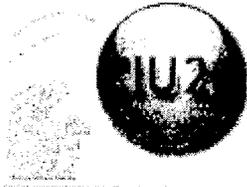
EXHIBIT

**Colonial Intermediate Unit 20
Fiscal Year 2007-08 Budget
Schedule of Unit Cost by Service Component**

	<u>Education Cost</u>	<u>Mental Health/ Treatment Cost</u>	<u>Administration</u>	<u>PH Total</u>
Salary Expense	\$ 1,290,704	\$ 1,941,170	\$ 539,079	\$ 3,770,953
% of Total	34%	51%	15%	100%
Benefits/Payroll Taxes	<u>612,487</u>	<u>918,730</u>	<u>270,215</u>	<u>1,801,432</u>
Subtotal	\$ 1,903,191	\$ 2,859,900	\$ 809,294	\$ 5,572,385
Operating Expenses	214,500	412,000	67,655	694,155
IU Indirect Costs			507,520	507,520
Capital Projects Transfer			<u>150,000</u>	<u>150,000</u>
Total Before Admin. Allocation	\$ 2,117,691	\$ 3,271,900	\$ 1,534,469	\$ 6,924,060
Admin. Allocation	<u>602,927</u>	<u>931,542</u>	(1,534,469)	
Total Cost	\$ 2,720,618	\$ 4,203,442		\$ 6,924,060
Units	136,000	136,000		
Cost Per Unit	<u>\$20.00</u>	<u>\$30.92</u>		<u>\$50.92</u>

EXHIBIT A

APPENDIX



COLONIAL INTERMEDIATE UNIT 20

A Regional Service Agency

6 Danforth Drive
Easton, PA 18045-7899

Telephone (610) 515-6403 • FAX (610) 515-6570

Office of the Executive Director

August 5, 2008

Mr. John Hoover, Audit Manager
Division of Audit and Review
Bureau of Financial Operations
Department of Public Welfare
Rm. 325 Scranton State Office Building
100 Lackawanna Avenue
Scranton, PA 18503

Dear Mr. Hoover:

I am in receipt of your draft audit report of Colonial Intermediate Unit 20's School-Based Partial Hospitalization Program.

As the Executive Director of Colonial IU 20, I am most pleased to receive the audit report that confirms Colonial IU 20's excellent fiscal and program management of our partial hospitalization program. As the first IU in the state to implement school-based partial services, we take very seriously our commitment to our school districts and to the Department of Public Welfare, which issues our license, to provide an excellent program meeting all state and federal requirements.

I was much distressed to learn that an anonymous letter was sent to the Department of Public Welfare with serious accusations that I knew to be untrue. We are pleased to be vindicated by this audit on both objectives: that we do not receive duplicate payments from two funding sources and that we meet, and in some cases, exceed Chapter 5210 and MA regulations.

Much of our ability to manage and track Medical Assistance billing is due to the investment we made in developing our in-house medical billing software. We built into the system all MA billing requirements (waivers, etc.), while also including a statistical component to track student progress. The system is capable of being used now by any intermediate unit or

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school district and with small modifications could be used by other agencies. Because of its ability to track cleanly all billing and to provide statistical program information, we would welcome the opportunity to demonstrate the software to officials at DPW.

In addition, we are proud of our program work and are pleased to be able to partner with DPW to provide this vital service to a very vulnerable population. We have fully integrated mental health services for children with their education. Because of this, the program has served as a model program across Pennsylvania. It is important to us to continue to be leaders in the field and to not just deliver a service but to provide quality and innovative programming to meet the needs of this specialized group.

Thank you for your work on this report. While we knew the accusations to be untrue, it is gratifying to have had DPW audit the program and have no findings. I hope this will put to rest the anonymous accusations that were made against us.

Sincerely,



Charlene M. Brennan, D.Ed.

IU 20 Executive Director

- C: Dr. Jan Cunningham, IU 20 Director of Resolve Services
- Mr. Hans Baltzersen, IU 20 Business Manager
- Attorney John Freund, IU 20 Solicitor
- Mr. Kenneth Butz, IU 20 Board President

Appendix A

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