



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

KEVIN M. FRIEL
DIRECTOR

OCT - 7 2009

TELEPHONE NUMBER
(717) 772-2231
FAX NUMBER
(717) 705-9094

Dr. Marcella Lingham
Executive Director
Quality Community Health Care, Inc.
2501 W. Lehigh Avenue
Philadelphia, Pennsylvania 19132

Dear Dr. Lingham:

I am enclosing the final report of the audit of Quality Community Health Care, Inc. Interim MCO Settlement Reports recently completed by this office. I would like to extend my appreciation to all the courtesy extended to my staff during the course of fieldwork. I understand that you were especially helpful to Nyanquoi Jones in expediting the audit process.

The report will be forwarded to the Department's Office of Medical Assistance Program (OMAP) to begin the Department's resolution process concerning the report contents. The staff from the OMAP may be in contact with you to follow-up on the action taken in consideration of the report's findings.

Sincerely,

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

Kevin Friel

c: Mr. Michael Nardone
Mr. William Miller
Ms. Jennifer Bertrand



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

Dear Mr. Nardone:

In response to a request from the Office of Medical Assistance Programs (OMAP), the Bureau of Financial Operations (BFO) has completed an audit of Quality Community Health Care, Inc. (QCHC). The audit was requested to verify the accuracy of the Managed Care Organization (MCO) Settlement Reports submitted by QCHC for the period October 1, 2006 to September 30, 2007.

The report includes QCHC's views on the reported findings, conclusions or recommendations. The data used to prepare the report's findings were discussed with QCHC management at a closing conference held on June 24, 2009 and at an exit conference held on September 16, 2009. QCHC's management provided additional documents which have led to a reduction in the recommended adjusted amounts initially presented in the draft report.

QCHC, Inc.
Executive Summary

QCHC is a Federally Qualified Health Center (FQHC) located in North Philadelphia, Pennsylvania. The organization provides pediatric and adult health care services to uninsured residents of North Philadelphia and surrounding communities. These services include adult and adolescence primary health care, pediatrics, behavioral health care, general dentistry, family planning and substance abuse therapy.

OMAP requested the audit to verify the accuracy of QCHC's MCO Settlement Reports for the period October 1, 2006 to September 30, 2007.

QCHC Health Center
October 1, 2006 through September 30, 2007

The report findings and recommendations for corrective action are summarized below:

Finding No. 1 – Total Medical Encounters Reported Were Overstated By Sixty-eight	The number of medical encounters contained in the Interim MCO Settlement Reports was overstated by sixty-eight encounters resulting in a recovery amount of \$8,474.
QCHC should: <ul style="list-style-type: none">• Re-examine procedures to ensure future Interim MCO Settlement reports enumerate the correct medical encounter total.	
OMAP should: <ul style="list-style-type: none">• Recover the overpayment of \$8,474.	

Finding No. 2 – Total Dental Encounters Reported Were Overstated By Four	The number of dental encounters contained in the Interim MCO Settlement Reports was overstated by four encounters resulting in a recovery amount of \$510.
QCHC should: <ul style="list-style-type: none">• Re-examine procedures to ensure future Interim MCO Settlement reports enumerate the correct dental encounter total.	
OMAP should: <ul style="list-style-type: none">• Recover the overpayment of \$510.	

Finding No. 3 – Dental Encounter Error Rate Was Determined To Be 8%	8% of the total dental encounters for the audit period sampled and tested were determined ineligible for inclusion within the Interim MCO Settlement Reports resulting in a recovery amount of \$54,111.
QCHC should: <ul style="list-style-type: none">• Improve the Interim MCO Settlement Report compilation procedures so as not to include ineligible encounters when completing the quarterly reports.	
OMAP should: <ul style="list-style-type: none">• Recover the overpayment of \$54,111.	

AUDITOR'S COMMENTARY

On September 16, 2009, the BFO held an exit conference with QCHC's management.

Between the issuance of the draft audit report and the time of the exit conference, QCHC's management provided additional documentation. These documents were reviewed by the BFO and were determined to be acceptable to negate one finding and to reduce the dollar amount of another finding initially contained in the draft audit report.

Accordingly, the final audit report has been modified to reflect the impact of these changes.

Background

QCHC Health Services is a non-profit FQHC that provides primary care, dentistry, family therapy and substance abuse services to children and adults residing in North Philadelphia and surrounding communities. QCHC provides these services at five family health centers located throughout the North Philadelphia community.

QCHC was established as a non-profit 501 (c) (3), community-based organization in 1978.

Objective, Scope and Methodology

The audit objective, developed in concurrence with OMAP was:

- To verify MCO encounters and revenue reported in the FQHC Interim MCO Settlement Reports.

In pursuing the audit objective, the BFO interviewed QCHC management staff and conducted site visits. The BFO also reviewed medical and dental encounter data, MCO capitation rosters, accounting and financial records, and other pertinent data necessary to complete our objective.

We conducted this performance audit in accordance with generally accepted government audit standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Government auditing standards also require that we obtain an understanding of management controls that are relevant to the audit objective described above. The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of these controls. Based on our understanding of the controls, no material deficiencies came to our attention. Areas where we noted an opportunity for improvement in management controls are addressed in the findings of this report.

Fieldwork for this audit took place between May 4, 2009, and June 24, 2009 after which time, QCHC was given the opportunity to provide additional data and records. The report, when presented in its final form, is available for public inspection.

Results of Fieldwork

As a result of our audit, the following findings and observations have been identified:

Finding No.1 – Medical Encounters Reported Were Overstated By Sixty-eight

QCHC prepares a quarterly Interim MCO Settlement Report for submission to OMAP. This report includes all medical encounters as well as revenues received from the MCOs.

The total number of medical encounters in the Interim MCO Reports was compared to the total number of medical encounters in QCHC's encounter database. The result of this test revealed that the total number of medical encounters reported was overstated by sixty-eight resulting to an overpayment of \$8,474.

QCHC management acknowledges this as an oversight.

Recommendation

The BFO recommends that QCHC re-examine procedures to ensure future MCO Interim Settlement Reports enumerate the correct encounter total.

The BFO also recommend that OMAP recovers the \$8,474 overpayment.

Finding No.2 – Dental Encounters Reported Were Overstated By Four

QCHC prepares a quarterly Interim MCO Settlement Report for submission to OMAP. This report includes all dental encounters as well as revenues received from the MCOs.

The total number of dental encounters in the Interim MCO Reports was compared to the total number of dental encounters in QCHC's encounter database. The result of this test revealed that the total number of dental encounters reported was overstated by four resulting to an overpayment of \$510.

QCHC management acknowledges this as an oversight.

Recommendation

The BFO recommends that QCHC re-examine procedures to ensure future MCO Interim Settlement Reports enumerate the correct encounter total.

The BFO also recommend that OMAP recovers the \$510 overpayment.

Finding No.3 – 8% Of Dental Encounters Was in Error

Dental encounters were tested to determine their accuracy. Testing attributes included verifying that an encounter occurred, was valid and had matching revenues from the appropriate MCO.

QCHC had 5,306 dental encounters which occurred during the audit period. Our audit testing sample determined eight encounters were improperly billed in that the encounters were not eligible for inclusion within the MCO Settlement Report. As a result, an error rate of 8% was determined. Applying this error rate to the total number of claims submitted for reimbursement results in an overpayment of \$54,111 as shown in Exhibit A of this report.

Recommendation

The BFO recommends that OMAP recover the overpayment of \$54,111.

The BFO also recommends that QCHC improve the Interim MCO Settlement Report compilation procedures so as not to include ineligible encounters when completing the quarterly reports.

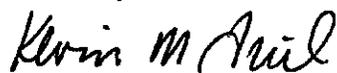
An audit exit conference was held on September 16, 2009 with the Executive Director, the Chief Financial Officer and a staff accountant of QCHC. At the exit conference, the findings and recommendations in the draft report and QCHC's written response were discussed.

The BFO made modifications to the final report based on additional documents provided by QCHC's management prior to the exit conference. QCHC's written response to the draft report is included in this report as an attachment.

In accordance with the BFO established procedures, please provide a response within 60 days to the Audit Resolution Section concerning actions to be taken to ensure the report recommendations are implemented.

Please contact Alex Matolyak, Audit Resolution Section at (717) 783-7786 if you have any questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,



Kevin M. Friel

Attachments

c: Dr. Marcella Lingham
Mr. William Miller
Ms. Jennifer Bertrand

**QUALITY COMMUNITY HEALTH CARE, INC
RESPONSE TO DRAFT REPORT**



QUALITY COMMUNITY HEALTH CARE, INC

September 28, 2009

Mr. Daniel Higgins, Audit Manager
 Division of Audit and Review
 Bureau of Financial Operations
 Department of Public Welfare
 502 Philadelphia State Office Building
 1400 Spring Garden Street
 Philadelphia, PA 19130

Dear Mr. Higgins,

Quality Community Health Care, Inc has reviewed the "draft" audit report as prepared by the Division of Audit and Review for the period October 1, 2006 to September 30, 2007. The results of the audit were based on QCHC interim MCO Settlement Reports.

Below outlines comments and courses of action based on the findings of the report.

Finding No. 1 – Total Medical Encounters Reported were Overstated by Sixty Eight	Response – QCHC has examined the appointment scheduling policy and has updated so that Medicaid patients are not entitled to have more than 1 medical visit per day, which includes PCP, OB/GYN and Dietician. While one stop shopping has been encourage, due to Medicaid regulations we would not receive services for more than one service. Since some services were received, we respectful request that the overpayment of \$ 8,474 be waived.
Finding No. 2 – Total Dental Encounters Reported were Overstated by Four	Response - QCHC will closely monitor the encounter totals for all quarterly reports and ensure that it hard copy from the database is obtained instead of providing an electronic database. We respectful request that the overpayment of \$ 510 be waived
Finding No. 3 – 1% of Medical Encounters Was in Error	Response – QCHC has identified the one encounter payment which made up the 1% error. All Medical encounters were valid and had revenue from appropriate MCO. Therefore, We respectful request that the overpayment of \$ 17,571 be waived.

Administrative Offices	2501 W. Lehigh Avenue	Philadelphia, PA 19132	(215) 227-0300	FAX: (215) 227-0302
QCHC Family Health Center	2501 W. Lehigh Avenue	Philadelphia, PA 19132	(215) 227-0300	FAX: (215) 227-0302
Finley Family Health Center	2813 Diamond Street	Philadelphia, PA 19121	(215) 763-4445	FAX: (215) 763-4179
Meade Family Health Center	18th & Oxford Streets	Philadelphia, PA 19121	(215) 765-9501	FAX: (215) 765-9516
Vaux Family Health Center	23rd & Master Streets	Philadelphia, PA 19121	(215) 236-8289	FAX: (215) 236-3521
Cooke Family Health Center	1300 W. Loudon Street	Philadelphia, PA 19141	(215) 457-6902	FAX: (215)457-6903

E-mail: qchc@qchc.org

Mr. Daniel Higgins, Audit Manager
Division of Audit and Review
September 28, 2009
Page Two

Finding No. 4 – 16% of Dental Encounters was in Error.	Response – (1) QCHC has identified 8 of the encounters as being valid and having payment sources, with two other pending. This would make the error rate 8%. (2) In addition procedures will be monitored for those Medicaid patients that do not receive full dental benefits but need the services. Some of the patients were Medicaid patients but were not entitled to a procedure because it has a five year period. (3) We respectfully request that the adjusted amount of \$ 54,172.
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As a result of the audit report, field work, and recommendations from BFO, QCHC requests that the total amount for all four findings be waived due to financial hardship. If any additional information is needed, please contact Georgette McAllister, MBA at 215-227-0300 ext 309.

Sincerely,



Marcella Lingham, Ed.D.
Executive Director

cc: Georgette Dukes McAllister, MBA/HCM

**Quality Community Health Care, Inc.
Dental Encounters**

Sampled Encounters	100
Encounters in Error	8
Error Rate	8.00
Total Encounters	5,306
Encounter Error Rate	8.00%
Total Extrapolate Errors	424
Reimbursement Rate	\$127.62
Adjustment	<u><u>\$54,111</u></u>