



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
BUREAU OF FINANCIAL OPERATIONS
ROOM 525 HEALTH & WELFARE BUILDING
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JUL - 7 2009

Mr. Wilford A. Payne, Executive Director
Primary Care Health Services/Alma Illery
7227 Hamilton Avenue
Pittsburgh, Pennsylvania 15208

Dear Mr. Payne:

Enclosed is the final review report of your Federal Qualified Health Center (FQHC) Program recently completed by this office. Your Program's response has been incorporated into the final report and labeled Appendix A.

The final report will be forwarded to the Department's Office of Medical Assistance Programs (OMAP) to begin the Department's resolution process concerning the report contents. The staff from that office may be in contact with you to follow up on the corrective action actually taken to comply with the report's recommendations.

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

If you have any questions concerning this matter, please contact Mr. Michael J. Kiely, Audit Manager of the Western Field Office at (412) 565-2187.

Sincerely,

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

Kevin M. Friel

Enclosure

c: Mr. Chelsey Sirmons
Mr. Samuel Caramela
Mr. William Miller



COMMONWEALTH OF PENNSYLVANIA
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JUL - 7 2009

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

Dear Mr. Nardone:

In a response to a request from the Office of Medical Assistance Programs (OMAP), the Bureau of Financial Operations (BFO) performed an audit of Federally Qualified Health Center (FQHC) Managed Care Organization settlement reports submitted by Primary Care Health Services (PCHS) for the October 1, 2006 to September 30, 2007 Federal FQHC reporting period (FY 06/07).

The data used to prepare the report findings was discussed with PCHS management at a closing conference held on December 15, 2008.

Executive Summary

ISSUE	SUMMARY
<i>Issue No. 1 – PCHS Erroneously Reported as Encounters Procedures That Do Not Meet the FQHC Definition of an Encounter</i>	<ul style="list-style-type: none">• PCHS erroneously reported as encounters, procedures that do not meet the FQHC definition of an encounter.• These errors resulted in over billing to OMAP of \$49,335.

HIGHLIGHTS OF RECOMMENDATIONS

OMAP should recover \$ 49,335 from PCHS.

ISSUE	SUMMARY
<i>Issue No. 2 – Inpatient Encounters and MCO Inpatient Revenues Were Not Included in MCO Settlement Reports</i>	<ul style="list-style-type: none"> • PCHS did not report Inpatient encounters and revenues on their cost report prior to October 2007. • OMAP directed PCHS to begin reporting this data in FY 07/08 and requested that BFO compute the effect on reimbursements for FY 06/07. • Consideration of Inpatient encounters and revenue resulted in a reduction of reimbursement due to PCHS of \$59,895.

HIGHLIGHTS OF RECOMMENDATIONS

OMAP should recover \$59,895 from PCHS.

ISSUE	SUMMARY
<i>Issue No. 3 – MCO Settlement Reports Understated Reimbursement Due to PCHS by \$877</i>	<ul style="list-style-type: none"> • PCHS under reported medical encounters by 8 and over reported dental encounters by 1. • MCO revenues were under reported by \$50. • The net impact of these errors is an understatement of amounts due to PCHS of \$877.

HIGHLIGHTS OF RECOMMENDATIONS

OMAP should reimburse PCHS \$877.

ISSUE	SUMMARY
<i>Issue No. 4 – PCHS Should Ensure Patient Encounter Forms Are Available for Review and Properly Completed</i>	<ul style="list-style-type: none"> • Encounter forms could not be found for 25 encounters selected in a sample of 100. • Fifteen of the 75 encounter forms reviewed in our sample were missing either the patient's or physician's signature, which are required by the FQHC Guidelines.

HIGHLIGHTS OF RECOMMENDATIONS

- PCHS should develop procedures to assure encounter forms are available for any future review.
- PCHS should also develop procedures that ensure both the patient and physician sign all encounter forms.

Background

PCHS is a private, non-profit 501(c) (3) corporation headquartered in Pittsburgh, Pennsylvania. It operates health centers offering comprehensive health service programs in various neighborhoods and suburbs of the City of Pittsburgh. PCHS is a FQHC, which is defined by the federal Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS), as "a facility located in a medically underserved area that provides Medicare beneficiaries preventive primary medical care under the general supervision of a physician."

Under federal requirements, the OMAP is mandated to make supplemental payments to equal the difference, if any, between the amounts paid to the FQHC for eligible patients by the Managed Care Organization (MCO) with which the clinic has a contractual relationship and the amount the FQHC would have received under the regular OMAP Prospective Payment System (PPS). Supplemental payments are made based on quarterly MCO Settlement Reports submitted by the FQHC on the Federal October 1 through September 30 fiscal year.

These reports compute what the FQHC would have received under the PPS by multiplying face-to-face encounters between patients and a physician, dentist, nurse or mid-level practitioner during the period, times an interim rate per visit. The interim rate per visit is based on an audit of allowable FQHC expenditures for the 1998-99 and 1999-00 fiscal years adjusted annually based on the Medicare Economic Index. The allowable interim rates per visit in effect for the period of our review were \$126.50 per medical encounter and \$85.23 per dental encounter.

Based on these interim rates the computed amount is then compared to actual revenues received from the MCOs for the quarter. If the computed amount is higher than the MCO payments, the FQHC will be paid the difference; and if it is lower, the OMAP will seek recovery of the difference.

Objective, Scope, and Methodology

Our audit objective was as follows:

To determine the accuracy of the PCHS FQHC Managed Care Organization Settlement Reports for the period October 1, 2006 to September 30, 2007.

The scope of the audit was limited to those procedures necessary to accomplish this objective. In pursuing the objective, we reviewed various internal and external source documents and reports. In addition, we conducted interviews with PCHS staff.

Government auditing standards require that the BFO obtain an understanding of management controls that are relevant to the audit objective described above.

Objective, Scope, and Methodology (Continued)

The applicable controls were examined to the extent necessary to provide reasonable assurance of the effectiveness of these controls. Based on the BFO's understanding of the controls, no significant deficiencies came to our attention other than those described in Issues No.1 through 4 of this report.

The BFO's fieldwork, conducted between October 20 and December 15, 2008, was performed in accordance with generally accepted government auditing standards. This report, when presented in its final form, is available for public inspection.

Results of Fieldwork

Issue No. 1 – PCHS Erroneously Reported as Encounters Procedures That Do Not Meet the FQHC Definition of an Encounter

In order to accomplish our objective it was necessary to verify the accuracy of information used to complete the Quarterly MCO Settlement Report. PCHS compiles this report based on information obtained from their internal Medicaid Wraparound Report. The source for the Wraparound report is data recorded on actual patient encounter forms.

Patient encounter forms list a variety of procedure codes for different services. In interviews with PCHS staff we were given an encounter form as an example and shown which procedure codes were considered an encounter and which were not. Some codes are for services that are considered encounters based on the FQHC Guideline criteria. The Guidelines define an Encounter as "a face-to-face contact between a patient and physician ... who exercises independent judgment in the provision of health care services." The Guidelines further define a Medical Service Encounter as, "An encounter between a medical provider and a patient during which medical services are provided for the prevention, diagnosis, treatment, or rehabilitation of illness or injury."

Other codes are for services not considered to be encounters according to the Guidelines and that we should not expect to find as an encounter on the Wraparound Report. Examples of these include "... laboratory tests, filling/dispensing prescriptions, visits solely for the purpose of obtaining immunizations, allergy, or other injections, medication pick ups ..."

The BFO selected a sample of 100 patient encounters reported by PCHS on the MCO Settlement Report for the period October 1, 2006 through September 30, 2007. For each encounter in this sample the BFO requested the patient's encounter data form. If this documentation was not available, then the patient's medical chart was reviewed. In addition, the BFO reviewed the OMAP Eligibility Verification System (EVS) data, MCO payment remittance advices and any other pertinent documents that could support encounter and payment claims reported by PCHS and the three MCOs with which it has a contractual relationship. Our review of this sample found only one instance of a procedure erroneously reported as an encounter.

Results of Fieldwork (Continued)

A further review of the Wraparound Reports focused on identifying procedure codes where we should not expect to see a corresponding encounter reported. This review identified 466 potentially invalid encounters. Included in these was the one error originally identified in the initial sample of 100.

From these encounters we tested a sample of 49. This review indicated that 41 or 83.7% of the 49 encounters sampled did not meet the definition in the Guidelines. When applied to the population of 466 potentially invalid encounters, we determined that 390 of the encounters reported should not have been reported or considered for reimbursement. The computation is detailed below:

Total Calculated Erroneous Encounters: $466 \times 83.7\% = 390$

Erroneous Encounters Reimbursed: $390 \times \$126.50 = \$49,335$
(Encounters x PPS Rate)

The resulting \$49,335 should be recovered by OMAP from PCHS.

According to PCHS management, this appeared to be a system error that could have occurred when the PCHS computer billing system was updated to reflect the annual changes in medical procedure codes. If changes are not reviewed by the fiscal staff who prepare the Medicaid Wraparound Report, system errors can occur whereby non-encounter services can be reported as encounters.

Recommendation

The BFO recommends that OMAP recover \$49,335 from PCHS for invalid encounters that were included in the MCO Quarterly Settlement Reports for the FY 06/07.

The BFO also recommends that PCHS ensure that medical encounters are correctly reported on the Medicaid Wraparound Report. Fiscal staff should review the fiscal year's first quarterly Wraparound Report that is generated following the annual update of the computer billing system's procedure codes prior to preparing the MCO Quarterly Settlement Report.

Issue No. 2 – Inpatient Encounters and MCO Inpatient Revenues Were Not Included in MCO Settlement Reports

PCHS had not been reporting inpatient hospital encounters and the corresponding revenue as required. Upon identifying this error OMAP directed PCHS to begin including inpatient hospital encounter information and corresponding MCO revenue on the MCO Quarterly Settlement Reports in October 2007. Since this data had not been reported for our review period OMAP requested that the BFO gather this data and determine the effect on reimbursements.

Results of Fieldwork (Continued)

Including hospital encounters and revenues in MCO settlement calculations results in a net reduction of reimbursement due from OMAP of \$59,895 as illustrated below:

MCO Inpatient Hospital Revenue	\$147,560
Inpatient Hospital Encounters 693 @ \$126.50 per PPS	\$ <u>87,665</u>
Amount due OMAP	\$ <u>59,895</u>

As a result of our efforts to collect the data for our review period we identified a weakness in the PCHS system that could result in an underreporting of inpatient hospital encounters during periods subsequent to October 2007. PCHS is using a "day" as the basis for counting encounters on the Quarterly MCO Settlement Reports. The possibility exists that patients could receive multiple procedures on the same day resulting in additional encounters. In such an instance, the PCHS policy of counting a hospital day as an encounter without looking at the actual procedures will result in an underreporting of encounters.

Recommendation

The BFO recommends that the OMAP seek recovery of \$59,895, which represents the difference between the Gross Interim Settlement Amount (the allowable number of inpatient hospital visits and interim rate per visit) and the MA MCO Receipts PCHS received for FY 06/07.

The BFO also recommends that PCHS base inpatient hospital encounters on the FQHC Guidelines definition of an encounter and specifically the Medical Service encounter which is described in Issue No.1.

Issue No. 3 - MCO Settlement Reports Should be Adjusted to Reconcile With PCHS Supporting Documentation

PCHS prepares its MCO Quarterly Settlement Reports based on the information compiled from their Quarterly Medicaid Wraparound Reports and Sites Receipts Spreadsheets. Our analysis of these reports indicated that the number of medical encounters should be increased by eight and the dental encounters decreased by one.

Results of Fieldwork (Continued)

In addition, a review of the Sites Receipts Spreadsheets identified that MCO revenues were underreported by \$49.50. The net result of these adjustments is detailed as follows:

Increase Medical Encounters (8 @ \$126.50)	\$1,012.00
(Decrease) Dental Encounters (1 @ \$85.23)	(\$85.23)
Unreported MCO Revenue	<u>(\$49.50)</u>
Net Amount Due PCHS	<u>\$877.27</u>

Recommendation

The BFO recommends that OMAP reimburse PCHS \$877, net of the adjustments identified in Issues No. 1 and 2, based on our review of the MCO Settlement and Medicaid Wraparound Reports and Sites Receipts Spreadsheets for FY 06/07.

Issue No. 4 – PCHS Should Ensure Patient Encounter Forms Are Available For Review and Properly Completed

As part of our testing of encounters we asked PCHS to provide us with the original encounter form completed by medical staff. PCHS staff had difficulty locating the individual forms which are kept in boxes by month but maintained off site. PCHS was only able to locate the forms for 75 patients out of our sample of 100. For the other 25 patients, we verified encounters by reviewing notes in the patients’ medical charts.

Our review of the 75 encounter forms that were found indicated that 1 of 75 (1.3%) was not signed by a physician while 14 of 75 (18.7%) were not signed by the patient. The FQHC Guidelines state that the “FQHC must maintain legible, accurate, and complete charts and records in order to support and justify the services provided.” The physician signature acknowledges that a service was provided while the patient signature is the authorization for care and release of information.

Recommendation

The BFO recommends that PCHS develop a system for record retrieval to ensure that necessary supporting documentation is accessible for future review.

In addition, PCHS should develop procedures to ensure that both the physician and patient sign the encounter form.

A closing conference was held with PCHS management on December 15, 2008, to discuss the contents of this report. PCHS did not request an exit conference. Their response to this report is included as Appendix A.

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

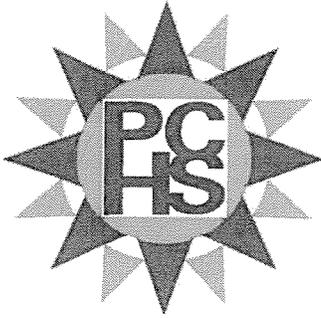
Please contact Alex Matolyak, Audit Resolution Section, at (717) 783-7786 if you have any further questions concerning this audit or if we can be of any further assistance in this matter.

Sincerely,

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

Kevin M. Friel

APPENDIX A
AUDITEE'S RESPONSE



PRIMARY CARE HEALTH SERVICES, INC.

7227 HAMILTON AVENUE • PITTSBURGH, PA. 15208 • TEL 412.244.4700

June 12, 2009

Mr. Michael J. Kiely, Audit Manager
Division of Audit and Review
Department of Public Welfare
Bureau of Financial Operations
701 State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222

Re: OMAP / BFO Audit

Dear Mr. Kiely:

In response to the issues and recommendations resulting from the audit conducted between October 20, 2008 and December 15, 2008, PCHS has implemented the following course of action.

Issue No. 1 – PCHS erroneously reported as encounters, procedures that do not meet the FQHC definition of an encounter.

Response

PCHS concurs with the finding. We have established a policy to review each month's list of procedure codes compiled on our internal Medicaid Wraparound Report to ensure that the procedures meet the definition of an encounter.

Issue No. 2 – Inpatient encounters and MCO inpatient revenues were not included in MCO Settlement Report.

Response

PCHS concurs with the finding, but disagrees with BFO's recommendation that OMAP recover \$59,895. At the time we compiled our 1998-1999 and 1999-2000 base rate reports, PCHS was not providing direct hospital call services to our patients. These services were provided by hospital staff or PCHS physicians who "moonlighted." The services were not provided on health center time therefore, the physicians were not paid by the health center to provide these services. Billings for the services were performed by the physician. Each physician received all reimbursements for providing on call services. The PCHS cost report did not include any physician on call compensation, or their encounters in the determination of our rate.

Several years following the preparation of the 1998-1999 and 1999-2000 cost base rate reports, due to requirements under Managed Care and the Federal Tort Claims Act, whereby malpractice claims would be adjudicated by the US Department Justice, we were encouraged to provide a system for billing and controlling hospital management and evaluation services.

As this system developed, we paid additional compensation to the physicians for additional duties. It was our belief that once the rate was established; cost, service or encounters could not be added to or deleted from the initial computation of the rate without a change in scope. We believe that if OMAP, insists on PCHS including inpatient encounter information and corresponding MCO revenue on the MCO Quarterly Settlement Reports, that it should not be retroactive.

PCHS concurs with the second recommendation regarding the method to account for inpatient hospital encounters. Procedures codes are being considered when counting inpatient hospital encounters.

Issue No. 3 – MCO Settlement Reports should be adjusted to reconcile with PCHS supporting documentation.

Response

PCHS concurs with the finding and recommendation. An additional review process is now in place to help ensure the accuracy of reporting.

Issue No. 4 – PCHS should ensure patient encounter forms are available for review and properly completed.

Response

PCHS concurs with the findings and recommendations. PCHS has a system in place for record storage and retrieval. We will strengthen our controls to ensure all necessary supporting documentation is accessible.

PCHS requires all patients and providers to sign their encounter form upon completion of a visit. We will strengthen our controls to ensure that all encounter forms are signed by both patient and provider.

As a result of the closing conference held on December 15, 2008, we feel there is no need for an exit conference. If you have any questions or concerns please call or email me at (412) 244-4974 or csirmons@pchspitt.org, respectively.

Sincerely,

A handwritten signature in cursive script that reads "Chelsey Sirmons, III".

Chelsey Sirmons, III
Finance Director

cc: Wilford A. Payne, PCHS CEO