pennsylvania
DEPARTMENT OF PUBLIC WELFARE

September 28, 2012

Mr. Steven Taylor
Family Choice Healthcare
6235 West Lancaster Avenue, Apt. #2
Philadelphia, Pennsylvania 19151

Dear Mr. Taylor:

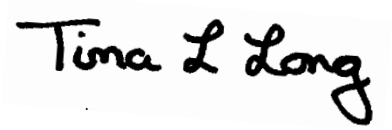
I am enclosing the final report of the Family Choice Healthcare that was recently completed by this office. Your response has been incorporated into the final report and labeled as an Appendix.

I would like to extend my appreciation for all the courtesy extended to my staff during the course of fieldwork. I understand that you were especially helpful to Timothy Rausch in expediting the audit process.

The final report will be forwarded to the Department's Office of Long Term Living (OLTL) to begin the Department's resolution process concerning the report contents. The staff from the OLTL may be in contact with you to follow-up on the action taken to comply with the report's recommendations.

If you have any questions concerning this matter, please contact David Bryan, Audit resolution Section, at (717) 783-7217.

Sincerely,



Tina L. Long, CPA
Director

Enclosure

c: Ms. Karen Deklinski
Mr. Michael Hale
Mr. Grant Witmer
Ms. Sallee Rowe

bc: Mr. Alexander Matolyak
Mr. Daniel Higgins
Mr. David Bryan
Ms. Kenya Mann Faulkner
Ms. Shelley L. Lawrence
SEFO Audit File (S1109 – R51)

pennsylvania
DEPARTMENT OF PUBLIC WELFARE

September 28, 2012

The Honorable Gary Alexander
Secretary for the Department of Public Welfare
Health and Welfare Building Room 333
Harrisburg, Pennsylvania 17120

Dear Secretary Alexander:

In response to a request from the Office of Long Term Living (OLTL), the Bureau of Financial Operations (BFO) initiated an audit of Family Choice Healthcare, Inc. (Family Choice). The audit was designed to investigate, analyze and make recommendations regarding claim reimbursements from Provider Reimbursement and Operations Management Information System (PROMISe) for various types of client care. Our audit covered the period from January 1, 2010 to June 30, 2011 (Audit Period).

This report is currently in final form and therefor contains Family Choice's views on the reported findings, conclusions and recommendations. Management's response to the draft report is included as an Appendix hereto. The reports contents were discussed at an exit conference held on September 14, 2012.

Family Choice Healthcare, Inc.'s Executive Summary

Family Choice was incorporated on September 15, 2009 in Pennsylvania as a for profit corporation. Family Choice provides services to clients who are enrolled by OLTL. Family Choice works with developmental disability organizations in Philadelphia, Bucks, Chester, Delaware and Montgomery Counties from its office located in Philadelphia, PA to provide in-home services to consumers and families with special needs. A second office in Pittsburgh, PA serves clients in Allegheny County. Family Choice also serves individuals in South Carolina.

Family Choice assists consumers to acquire and maintain the highest possible level of independent living by providing habilitation, companionship, light housekeeping, skilled nursing, transportation, and respite services.

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

FINDINGS	SUMMARY
Finding No. 1 – A Sample Of Family Choice's PROMISe Reimbursements And An Audit Of The Underlying Documentation Revealed That 2.912% Of The Claims Tested Were Unsubstantiated.	A random sample of Personal Assistance Services (PAS) claims was tested for adequacy of documentation. The results were that 2.912% of the tested reimbursed claims were unsubstantiated. Extrapolating this variance over the entire population of reimbursed PAS claims results in a disallowance of $101,027. Additionally, variances of $1,611 were identified from a population of non-PAS claims resulting in a total disallowance of $102,638.

HIGHLIGHTS OF RECOMMENDATIONS
OLTL should : • Recover $102,638 from Family Choice due to unsubstantiated claims. Family Choice should • Only claim reimbursement for services rendered during the time periods billed and retain adequate documentation for each claim submitted to PROMISe.

FINDINGS	SUMMARY
***Finding No. 2* – Family Choice's Internal Controls Were Inadequate To Assure Reliable And Accurate Billings To PROMISe.**	It was Family Choice's business practice to submit billings to PROMISe based upon when its employee caregivers turned in their time sheets. In many instances, the payroll records could not be reconciled to units invoiced to PROMISe. As a result, the service units delivered were less than the units billed and reimbursed by PROMISe.
HIGHLIGHTS OF RECOMMENDATIONS	
OLTL should: • Monitor Family Choice to ensure that PROMISe claims are properly invoiced for services rendered during the respective billing period and ensure that the claims are properly documented. Family Choice should: • Limit its PROMISe billings so that only services rendered during the respective billing period are claimed and those claims are properly documented. • Reconcile its direct labor time inputs for payroll purposes to its hours/units billed to PROMISe for the corresponding periods.	

FINDINGS	SUMMARY
Finding No. 3 – Family Choice Did Not Have Independent Access To Customers' ISPs And Had To Rely On Supports Coordinators For The Details Of Customers' Care.	Family Choice was unable to access the Home and Community Services Information System (HCSIS) to view the applicable Individual Service Plans (ISPs) whenever necessary. Instead, Family Choice was dependent on third party Supports Coordinators to advise it of the nature, scope, frequency and duration of service to be rendered. Family Choice had no independent way of determining the details of service.
HIGHLIGHTS OF RECOMMENDATIONS	
OLTL should: • Allow providers, like Family Choice, to access HCSIS to be able to verify the information contained in consumers' ISPs independently. • Direct the Supports Coordinators to give ISPs to providers, like Family Choice, as a part of the annual review for each consumer, as well as whenever any interim changes are made to the document. Family Choice should: • Ensure that all pertinent information such as the nature, scope, frequency and duration of the various services to be delivered is known prior to delivering the services.	

Background

Family Choice Healthcare, Inc. was incorporated on September 15, 2009 in Pennsylvania as a for profit corporation. Its Pennsylvania office is located in Philadelphia, PA and its corporate office is located in Bethesda, MD.

Family Choice serves clients who are enrolled by OLTL. Family Choice works with Philadelphia, Bucks, Chester, Delaware and Montgomery County developmental disability organizations to provide in-home habilitation services to consumers and families with special needs. Additional services are rendered in Allegheny County for several Pittsburgh clients.

Family Choice considers each consumer's particular circumstances to provide supports that result in the highest possible level of independent living. Family Choice provides habilitation, companionship, light housekeeping, transportation and respite services in consumers' homes.

Objective/Scope/Methodology

The audit objective, developed in concurrence with OLTL was:

- To determine if Family Choice has adequate documentation to substantiate its paid claims through PROMISe for services delivered.

In pursuing the objective, the BFO interviewed OLTL personnel and Family Choice's management. The BFO also reviewed books, records, third party invoices, bills, receipts and other pertinent data necessary to pursue the audit objective, such as PROMISe reimbursement data and electronic records available in the Home and Community Services Information System (HCSIS).

The criteria used to ascertain the adequacy of supporting documentation was 55 Pa. Code Section 1101.51(e) and pertinent Federal Waiver requirements.

Government auditing standards 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, there were material deficiencies in the billing procedures. Areas where we noted an opportunity for improvement in management controls are addressed in the findings of this report.

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

The BFO's fieldwork was conducted intermittently from January 30, 2012 to April 10, 2012 and was performed in accordance with generally accepted government auditing standards. This report is available for public inspection.

Results of Fieldwork

Finding No. 1 – A Sample Of Family Choice's PROMISe Reimbursements And An Audit Of The Underlying Documentation Revealed That 2.912% Of The Claims Tested Were Unsubstantiated.

A statistically valid random sample of 58 claims was selected from a population of 2,228 claims for PAS. Those claims totaled $3,469,333 and were reimbursed through PROMISe. In addition, 13 non-PAS reimbursement claims were randomly selected from a population of 135 claims totaling $346,933.

The BFO analyzed the supporting documentation for the sampled claims. This included time sheets, progress notes (if available), and other documentation to support the services provided. The number of units authorized in an ISP was compared to the units billed. The BFO also verified that the units billed did not exceed the number authorized.

Twelve exceptions were identified in the 58 PAS claims. The exceptions totaled $2,696 of the $92,569 tested, or a 2.912% error rate. The error rate was extrapolated over the universe to determine the PAS questioned costs of $101,027. Additionally, there were six unsubstantiated non-PAS claims that resulted in questioned costs of $1,611. The total questioned costs are $102,638.

In discussions with management, it was explained that Family Choice's internal procedure is to bill PROMISe when time sheets are turned in instead of when the services were rendered. This is adequate as long as each employee turns in his or her time sheet promptly so the units are billed timely with the current invoice. However, when a time sheet is turned in late, those units are commingled with the current billing period's units and an overbilling occurs. The PROMISe billings did not reflect the actual time units worked within the bi-weekly billing periods so errors occurred which could not be reconciled within the billing period.

Most of the variances were overbillings. Several under billings were investigated and credits were allowed if unused units remained in the approved budget at the end of the respective fiscal year. (See Finding No. 2 below.) Other reasons for the variances were that items were not authorized in the consumer's ISP or that time sheets were missing.

Recommendations

The BFO recommends that OLTL recover $102,638 due to a lack of adequate supporting documentation for claims paid.

The BFO also recommends that Family Choice implements procedures to ensure that reimbursement claimed through PROMISe for a particular period of time only includes services that were provided during that period.

Additionally, the BFO recommends that Family Choice only bill PROMISe for services rendered and documented on employee time sheets.

Finally, the BFO recommends that Family Choice insure that service delivery is consistent with current ISPs.

Finding No. 2 – Family Choice's Internal Controls Were Inadequate To Assure Reliable And Accurate Billings To PROMISe.

The random sample included an assessment of employee caregiver time sheets. Analysis of the time sheets was an integral audit step because the time sheets are signed and dated by both the caregiver and consumer which serves as verification of the date, time and duration of service. The BFO then compared the time sheets to the number of units billed to PROMISe.

The BFO's expectation was that providers, such as Family Choice, would invoice PROMISe only for services rendered during the billing period, that such services would be adequately documented, and that documentation be retained for a reasonable amount of time.

Of the 58 items tested, supporting documentation for eight PROMISe reimbursements confirmed less than the number of units billed for the tested period (Shortages). On the other hand, supporting documentation exceeded the units billed for the tested period for four PROMISe reimbursements (Overages). Before permitting the Overages as an offset against the Shortages, the BFO investigated as to whether or not the fiscal year budgetary limit had been reached. The BFO found that the budget ceilings had been reached or exceeded before the respective fiscal year ends for all but four Overages. As a result, the four Overages with unused budgetary authorizations were utilized to offset the Shortages.

Family Choice repeatedly billed for services not rendered within the billing period. Instead, PROMISe was billed in the current period for services rendered in prior period(s). Prior periods were never adjusted or re-billed. For instance, when time sheets were turned in late by a caregiver, the time would have been billed for the current period. No internal controls existed to ensure that the PROMISe invoicing was directly related to the services delivered during the billing period.

Recommendations

The BFO recommends that OLTL monitor Family Choice to ensure that PROMISe claims reflect only services rendered during the claim billing period, and that there is adequate documentation to support the units billed.

Finding No. 3 – Family Choice Did Not Have Independent Access To Customers' ISPs And Had To Rely On Supports Coordinators For The Details Of Customers' Care.

The Supports Coordinators (SC) working with the Family Choice consumers were employed by third party organizations. Although the SCs were a member of each consumer's health care team, Family Choice had to rely on the SCs to share the nature, scope, duration and frequency of services to be rendered (Details of Service). The Details of Service were communicated to Family Choice via telephone conversations or in a one page service authorization summary when the annual ISP was approved or subsequently modified.

Family Choice's management explained that it often had to pursue SCs to get current or revised Details of Service which were not always forthcoming from the SCs. This impeded consumer service and resulted in some misunderstandings regarding the services to be provided.

Recommendations

The BFO recommends that HCSIS access be broadened to allow Family Choice and similar providers to be able to independently verify the information contained in consumer's ISPs.

The BFO also recommends that OLTL direct the SCs to give copies of ISPs to providers as a part of the annual review for each consumer, or when any interim changes take place.

Finally, the BFO recommends that Family Choice take steps to ensure that all pertinent information, such as the nature, scope, frequency and duration of services to be delivered, is known prior to providing services.

Exit Conference / Auditors Commentary

On September 14, 2012, an audit exit conference was held at the BFO's Southeast Regional Office. Family Choice's management had submitted a response to the draft audit report which included concurrence with the audit findings and details on the corrective actions that have been implemented.

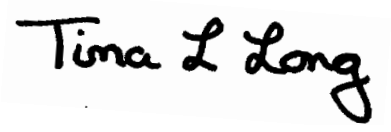
Prior to the exit conference DPW management determined that the services provided by Family Choice constitute a vendor relationship between OLTL and Family Choice. Payments for vendor services are not considered to be federal awards. As such, the finding that required an audit in accordance with federal regulations was removed from the report. No other changes were made to the report.

In accordance with our established procedures, an audit response matrix will be provided to the OLTL. The OLTL is responsible for completing the matrix within 60 days and emailing the Excel file to the DPW Audit Resolution Section at:

RA-pwauditresolution@pa.gov

The response to each recommendation should indicate the OLTL's concurrence or non-concurrence, the corrective action to be taken, the OLTL staff responsible for the corrective action, the expected date that the corrective action will be completed, and any related comments.

Sincerely,



Tina L. Long, CPA
Director

c: Ms. Karen Deklinski
Ms. Bonnie Rose
Mr. Michael Hale
Mr. Grant Witmer
Ms. Sallee Rowe

bc: Mr. Alexander Matolyak
Mr. Daniel Higgins
Mr. David Bryan
Ms. Kenya Mann Faulkner
Ms. Shelley L. Lawrence
SEFO Audit File (S1109-R51)

FAMILY CHOICE HEALTHCARE
RESPONSE TO THE DRAFT REPORT

APPENDIX

Comments and Corrective Action Plans

Finding No#1- A sample of Family Choice's PROMISe reimbursements and an audit of the underlying documentation revealed that 2.912% of the claims tested were unsubstantiated.

I would like to point out some of the repeated mistakes that had taken place by our Billing Manager. Unfortunately, we were not aware of any training provided by OLTL regarding how to make billing adjustments or any of the other functions that would have given us the opportunity to provide more accurate billing. It was not until our QMET visit last year in May 2011 that many of these issues came to light and, in many cases, were clarified. In accordance to our Standard of Improvement, we have remedied these billing challenges and are frequently monitoring our progress to ensure that these issues are resolved.

- Lack of making billing adjustments. Frequently, we receive timesheets that are late according to Agency policy and payroll cycle. In the past, without taking into consideration when the services were provided, we just added the hours to the present hours being submitted into PROMISe. For example, if we received a late timesheet where services were provided from May 6-12,2012, and the manager was billing for services rendered from May 13-26, she would just add the hours from the May 6-12 timesheet to the present hours being billed. So once this is assessed, it appears that more hours have been billed than what is actually documented. We are now aware that an **adjustment** must be done so that the previously worked hours are billed properly during the appropriate dates.
- Lack of capturing all the dates worked. Another common mistake was the exclusion of all the dates documented on the timesheet(s). Our pay period runs from Sunday to the next Saturday (14 days). Unfortunately, it was relatively common for the Billing Manager to not include the first Sunday or the last Saturday of the billing cycle. For example, if we submitted x number of units through PROMISe for a particular participant and the corresponding dates worked were represented as May 7 – 19, 2012, if the

timesheets demonstrate that services were rendered on May 6th than those hours will not be counted when assessed, even though the hours were included in the PROMISe billing. Of course, this practice has been remedied.

- Our payroll and invoicing process requires that all timesheets are sent to our Maryland corporate office for processing. Timesheets are then processed for payroll and copied for our back-up files kept in our Maryland offices. The original timesheets are then sent back to the Philadelphia office to be properly placed in the consumers file. During the recent audit conducted by BPO, we realized that some timesheets that were missing from the consumer files in the Philadelphia office were found in their corresponding Maryland file. Through continual audits and a new scanner/copier that allows the timesheets to be delivered electronically to the Maryland office, this issue should be resolved.

Finding No#2- Family Choice's internal controls were inadequate to assure reliable and accurate billings to PROMISe.

Refer to Corrective Action Plan No#1

Finding No#3- Family Choice did not have an audit report available as required by Federal regulation

N/A- exempt

Finding No#4- Family choice did not have independent access to customers' ISPs and had to rely on Supports Coordinators for the details of Customers' care.

Due to the assistance from the auditors of BPO, we were able to receive several Service Plans which were never given to us upon participant admission by the Service Coordinators. For those SP's that remained missing from the consumer file, we personally requested the documents from the SC's from the various

Supports Coordination agencies that refer to us. We now ensure that we are in receipt of the Service Plan and Service Authorization/Information Form before services are rendered. We also periodically review our files to ensure that this documentation is properly filed.