



Audit Highlights

Highlights of Legislative Auditor report on the Division of Child and Family Services issued on June 24, 2004. Report #LA04-14.

Background

The Division of Child and Family Services (DCFS) was created in 1991 to improve the delivery of services to Nevada's children and families. The Division provides mental health and developmental services, referred to as children's behavioral services, to clients throughout the State. These services are provided through Northern and Southern Nevada Child and Adolescent Services (NNCAS and SNCAS). A wide range of services is provided to emotionally disturbed and behaviorally disordered children, adolescents, and their families. In fiscal year 2003, the Division spent approximately \$26 million to provide children's behavioral services – \$7 million in the north and \$19 million in the south.

Purpose of Audit

This audit focused on the billing process for services provided at NNCAS and SNCAS during fiscal year 2003. The purpose of our audit was to determine whether the Division maximized reimbursements from third parties for the cost of children's behavioral services.

Audit Recommendations

This audit report contains 10 recommendations to improve the billing process for children's behavioral services provided at NNCAS and SNCAS. Four recommendations relate to the Division billing Medicaid and private insurers for the cost of services to increase revenues. In addition, we made three recommendations to improve billing for outpatient services at SNCAS. Finally, three recommendations relate to strengthening controls over billing and recording revenues at SNCAS.

The Division of Child and Family Services accepted all 10 recommendations.

Status of Recommendations

The Division's 60-day plan for corrective action is due on September 20, 2004. In addition, the six-month report on the status of audit recommendations is due on March 21, 2005.

Division of Child and Family Services

Department of Human Resources

Results in Brief

The Division of Child and Family Services has opportunities to increase revenues from Medicaid by several million dollars annually by improving its billing process for children's behavioral services. Because of numerous billing issues, the Division did not bill for about \$6.2 million over the past 2 years. Most of this amount relates to not billing Medicaid for the full cost of services provided. However, the Division can go back 2 years to obtain additional reimbursements for most services. The Division also has an opportunity to bill Medicaid for an additional \$1.9 million annually to recover costs of operating its psychiatric hospital. Because the State and Federal Government share the costs for the Medicaid Program, about half of these amounts will be additional federal funds for the State.

Principal Findings

The Division can bill for the actual cost of services provided to Medicaid recipients. According to State Medicaid management, it has been their intent to reimburse the Division based on the actual cost of services since early 2002. As a result, we estimate the Division can request reimbursement for an additional \$4.7 million in unbilled costs for services provided in the past 2 years. Division personnel indicated they did not realize that Medicaid was offering the opportunity to receive reimbursement based on full costs when changes were proposed to the rate setting process in 2002.

SNCAS has the opportunity to bill Medicaid about \$1.9 million more each year for services provided at its psychiatric hospital, Desert Willow Treatment Center. By seeking a change to the Medicaid State Plan, SNCAS can bill for the cost of services provided at Desert Willow in future years. According to State Medicaid representatives, the rate-setting process for Desert Willow is different than other Division services in that the reimbursement method cannot be changed for prior periods. However, DCFS and the Division of Health Care Financing and Policy can pursue an amendment to the Medicaid State Plan for cost-based reimbursement for Desert Willow in future years.

In addition to not billing at cost, the Division continued to bill Medicaid for residential rehabilitation services at old rates for 3 years after rates increased. As a result, we estimate the Division under-billed Medicaid about \$1.8 million in fiscal years 2001 through 2003. By re-billing Medicaid for these services provided in the past 2 fiscal years, we estimate the Division could receive reimbursement for about \$1.3 million in costs. This billing problem occurred because the Division was unaware that Medicaid increased the maximum daily rate for these services from \$210.02 to \$292.50 effective July 2000. According to the Division, they were not notified when the maximum Medicaid reimbursement rate increased.

Billing problems occurred in about 20% of the outpatient services we tested at SNCAS for fiscal year 2003. These problems included not billing for outpatient services, billing for the wrong amount, and over-collecting the amount due. For example, SNCAS did not bill for 25 of the 353 (7%) outpatient services we tested. Based on the rate of unbilled services, we estimate SNCAS could have billed Medicaid an additional \$100,000 in 2003. According to the Division, their new billing system should resolve most problems related to unbilled services and errors. Although we identified problems at SNCAS, outpatient services provided at NNCAS were billed correctly.

SNCAS did not bill Medicaid for all services provided to clients living in residential treatment homes. Outpatient therapy services, such as individual and group therapy, have never been billed. In addition, some case management services provided by outpatient therapists were not billed. We estimate SNCAS could have billed Medicaid an additional \$100,000 in the past 2 years for outpatient services provided to clients in residential treatment homes. Although SNCAS did not bill for these services, our testing confirmed that NNCAS billed for both of these types of services.