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OFFICE OF THE STATE COMPTROLLER

September 24, 2003

Sharon E. Carpinello, R.N., Ph.D  
Acting Commissioner  
Office of Mental Health  
44 Holland Ave  
Albany, NY 12229

Re: Report 2003-F-6

Dear Ms. Carpinello:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the Office of Mental Health (OMH) as of July 16, 2003, to implement the recommendations contained in our audit report, *Controls Over Outpatient Billings* (Report 99-S-31). Our report, which was issued on July 31, 2000, examined OMH's procedures for documenting, recording, and billing insurers for the outpatient services provided at OMH facilities.

**Background**

OMH facilities provide inpatient, outpatient, and community support programs throughout the State. OMH reported that it provided outpatient services to an average of about 12,260 outpatients per month during 2002. For outpatient services to be reimbursable, they must be provided through a licensed program. Services must also be identified and provided in accordance with an approved individual plan of treatment.

OMH facility procedures require clinicians who provide an outpatient service to note data about the visit in the patient's medical record and also on a clinical service recording form. At the time of our audit, a facility employee would also enter the outpatient service information (including the case number, service date, service unit, program and service codes, service duration, and staff providers) shown on the service recording form into the service recording subsystem of the Department of Mental Hygiene Information System (DMHIS). The data from this subsystem would then be transferred to OMH's Comprehensive Outpatient Billing System (COBS). COBS aggregates valid services into daily visits and verifies that billing accounts have been established for the patients who received the services. After OMH staff ensure that billing criteria are met, they bill the appropriate insurer. For the State's fiscal year that ended on March 31, 2003, OMH reported

collecting \$37.9 million in revenues from outpatient services, most of which was paid by Medicaid (\$27.3 million) and Medicare (\$10.1 million).

Since our audit, 11 of the 23 OMH facilities with outpatient services have converted to a new service recording system for outpatients called the Mental Health Automated Record System (MHARS). MHARS is an electronic medical record that incorporates all required OMH medical record data elements. It provides on-line, real time access to clinical information, including historical diagnosis, treatment plans, evaluations, and medications; and facilitates clinical administrative activities, such as service recording. Because this process is linked to the goals, objectives, and methods of the treatment plan, the link of the service information is made directly to the service plan. The services data is transferred electronically to DMHIS and COBS.

### **Summary Conclusions**

In our audit, we found that OMH needed to improve procedures at its facilities to increase the likelihood that reimbursement was obtained for services provided to outpatients. At the six facilities we had visited, some billed services had not been documented in the patients' medical records and other services had not been billed at all. We also found that the time it took to submit bills varied significantly from facility to facility. For example, nine facilities took an averaged of more than 90 days between the visit date and the date the bill was submitted for payment. We recommended that OMH take steps to ensure that such services are documented in patients' medical records, and to establish procedures for verifying the accuracy of data that was entered on the billing system. We also recommended that OMH investigate billing variances among facilities and take steps to ensure that facilities submit bills promptly.

In our follow-up review, we found that OMH officials have made progress in implementing the recommendations contained in our prior audit.

### **Summary of Status of Prior Audit Recommendations**

OMH officials have implemented one of our five prior audit recommendations and partially implemented the other four recommendations.

### **Follow-up Observations**

#### **Recommendations 1, 2, and 3**

*Take steps to ensure that clinicians accurately document in patients' medical records the outpatient services they provide, including date of service and duration of service.*

*Take steps to ensure that outpatient services are appropriately billed, including that clinicians complete service recording forms for all visits, and that clerical staff enter all visit data on the DMHIS service recording subsystem.*

*Establish procedures to verify that data entry is performed accurately.*

Status - Partially Implemented

Agency Action - As described in the background section of this report, OMH has begun to deploy MHARS, which automates the data in the medical record and adds electronic features that trigger and alert staff to errors. It is being utilized to record medical record data at 11 of the 23 OMH facilities with outpatient programs. OMH officials told us they believe that, when MHARS is fully implemented, it will help ameliorate the conditions identified in the audit. In the interim, OMH officials have taken other steps to correct the deficiencies cited in our prior audit. For example, OMH has provided training to facility staff on Medicaid and Medicare documentation and billing requirements. Officials point out that OMH's Statewide Medicare denial rate before the staff were trained, based on audits performed by Medicare of its billing documents, was 44 percent. As of January 2003, this rate had dropped to just 6 percent. Officials believe this improvement is evidence that training efforts and other actions have been successful.

**Recommendation 4**

*Take steps to ensure that all facilities retain billing documents, such as the service recording forms, for the statutorily-required period.*

Status - Implemented

Agency Action - OMH has provided training on documentation requirements and the consequences of document mismanagement. Much of the training dealt with the retention requirements for Medicaid billing and service documents. For the one facility cited in our prior audit, officials have notified the facility of its error and instructed the staff on proper document retention.

**Recommendation 5**

*Take steps to ensure that all outpatient visits are billed on a timely basis. Investigate the large variances in billing delays at OMH facilities.*

Status - Partially Implemented

Agency Action - OMH officials have developed reports that can be used for monitoring and tracking billing variances among its facilities. Staff from the Finance Office now track five different billing trends, including the timeliness of billings. When we reviewed these records, we found that timeliness has improved significantly. However, some variances among facilities are still evident and officials are not investigating them, even though investigations were recommended in our prior report. OMH officials have also not followed up to ensure that the corrective actions the facilities said they would take in response to our audit were actually implemented.

Major contributors to this report were John Buyce, Joel Biederman, and Don Wilson.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the Office of Mental Health management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Frank J. Houston  
Audit Director

cc: Stanley P. Lockwood, OMH Bureau of Investigations and Audit  
Deirdre A. Taylor, Division of the Budget