Susan Montee, JD, CPA
Missouri State Auditor

MENTAL HEALTH

Billing and Collection Practices

April 2010

Report No. 2010-45

auditor.mo.gov

Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of the Department of Mental Health, Billing and Collection Practices

Private-Pay Billings

The Missouri Department of Mental Health (DMH) suspended the automated monthly billings to private-pay clients for services provided from October 2006 to August 2008 upon implementation of the Customer Information Management, Outcomes and Reporting (CIMOR) system. As a result, an undetermined, but possibly significant, amount of revenue was lost. DMH officials were unable to quantify or provide adequate information to support the extent of lost revenues during audit fieldwork, estimating the amount of lost revenues from $40,000 to $400,000. In January 2010, the DMH provided information contending the maximum potential annual revenue loss was approximately $250,000 (or about $500,000 for the 2-year period), with the actual loss being less than that due to the collection of amounts from manual billings, recent reductions in the number of clients at certain facilities, and other factors.

Private-pay billings resumed in October 2008 when the CIMOR system was able to generate the private-pay billing statements. However, the October 2008 billings were primarily for services provided during the previous month and did not include most unpaid, outstanding balances incurred prior to September 2008. Internal DMH communications indicated the reason for not billing these outstanding balances was because "Executive management has decided not to upset consumers by having a huge beginning balance show up [on] a bill they haven't been receiving for almost 2 years . . . ." Instead, most of the private-pay client account balances were adjusted to zero by moving the balances to inactive status. The CIMOR system data indicated approximately $18 million in unpaid outstanding balances were adjusted from the accounts in this manner. According to DMH officials, most of this amount was uncollectible, and in late 2009, DMH staff adjusted the account balances to more accurately reflect the clients' verified ability to pay for services. The adjusted account balances totaled approximately $4.7 million, of which $1.6 million has been referred to the Attorney General's Office for collection.

The DMH did not adequately communicate with the private-pay clients regarding this situation. DMH officials took no formal action to notify the clients when the private-pay billings were suspended in October 2006 or any time prior to the reestablishment of the billings in October 2008. In addition, when billing resumed in October 2008, the clients were not formally advised the department still considered them responsible for any outstanding unbilled balances. In addition, the DMH did not authorize the Department of Revenue to conduct any state tax intercepts on its behalf in calendar years 2007 or 2008 related to private-pay balances owed the department because of concerns related to the implementation of the CIMOR system. Past collection data indicates revenue collections from tax intercept procedures

Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

may approximate $60,000 annually. The DMH resumed state tax intercepts in calendar year 2009.

School District Billings

The DMH had not billed school districts to recover the costs of educational services provided to school-age clients for 3 years, with the last billings related to the 2005-2006 school year. As a result, the collection of revenues related to these unbilled costs has, at a minimum, been delayed. Past collection data indicates revenue collections related to these billings may approximate $67,000 annually. DMH and Department of Elementary and Secondary Education officials told us state law does not require school districts to be billed within a specified time period; therefore, the applicable school districts will be responsible for paying for the services if the billings are ultimately prepared and distributed by the department.

MO HealthNet and Other Third-Party Payer Billings at WMMHC and Billing System Issues

The Western Missouri Mental Health Center (WMMHC) did not properly bill charges of at least $1.2 million to MO HealthNet and other third-party payers for services provided to clients. While over $300,000 of these charges were subsequently corrected, resubmitted and collected, approximately $660,000 of these charges were no longer re-billable to the applicable payers because the WMMHC did not submit accurate claims and/or correct and resubmit denied claims within the specified deadlines. The actual amount of lost revenues related to these charges would be approximately 60 percent (the federal share) or less. As of July 2009, the remaining charges of $245,000 were still re-billable, but were at risk of being lost if the claims were not processed within the applicable filing deadlines.

The inaccurate or incomplete billings the WMMHC submitted to MO HealthNet or other third-party payers occurred, at least in part, because the system used to generate the bills (Claim Builder) had not been properly programmed to include all charges or ensure billing codes were accurate on claims submitted. In addition, the billing system planned to replace Claim Builder had not yet been fully developed and implemented. Because Claim Builder was not able to process some MO HealthNet billings until November 2007, DMH personnel at the various operating facilities were required to process a significant backlog of some unbilled services once the functionality to generate the bills was added to the CIMOR system. Due to these untimely billings, an undetermined amount of revenue was lost.

Adequate data integrity reports to assist in reconciling total billable third-party services to total services billed and collected are not currently available. As a result, there is less assurance services provided were properly billed and revenues maximized since the implementation of the CIMOR system.

Department of Mental Health
Billing and Collection Practices
Table of Contents

SUSAN MONTEE, JD, CPA
Missouri State Auditor

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Keith Schafer, Ed.D, Director
Department of Mental Health
Jefferson City, Missouri

We have audited the Department of Mental Health's handling of certain billing and collection practices since the implementation of the Customer Information Management, Outcomes and Reporting (CIMOR) system. The objectives of our audit were to:

1. Evaluate the department's handling of billings and collections related to private-pay clients.

2. Evaluate certain other billings and collections affected by the CIMOR system implementation.

Our scope and methodology is included in the Introduction Section.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our 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 such a basis.

The accompanying Management Advisory Report presents our findings arising from our audit of the Department of Mental Health's handling of certain billing and collection practices.

Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	John Luetkemeyer, CPA
Audit Manager:	Gregory A. Slinkard, CPA, CIA
In-Charge Auditor:	Amanda Locke, M.Acct.
Audit Staff:	Richard Mosha, MBA

Department of Mental Health
Billing and Collection Practices
Introduction

Background

The Missouri Department of Mental Health (DMH) provides services to individuals (clients) and their families requiring public mental health services. These services include, but are not limited to, room and board, nursing care, medical expenses, day treatment, family support services, and case management.

The DMH Office of Administration, Reimbursement Section is primarily responsible for oversight of the billing and collection practices for services provided directly to clients at state-operated facilities;[1] however, the state-operated facilities are responsible for performing some of the duties related to the billing and collection of charges for services provided. Charges incurred for services provided to clients may be recovered through the billing of various sources including, but not limited to, the clients,[2] private insurance, MO HealthNet (the Medicaid Program in Missouri), Medicare, or domicile school districts.[3] Any charges not collectible from third-party payers and/or the clients are borne by the DMH through its state appropriations.

In those instances where the clients' costs of services are not paid by a third-party, the clients are billed for care based on their ability to pay and are referred to as private-pay billings. That portion of the costs owed by a client is determined using a standard means test (SMT) which considers the client's family size, income, and/or assets, as required by state law and/or regulations. If the DMH has determined a client has an ability to pay through the SMT process, the client is notified of the maximum monthly amount owed prior to the services being provided.

In addition to the revenues generated through the application of the SMT, the private-pay revenues reported on DMH collection reports include certain benefits [such as Supplemental Security Income (SSI)] for which some clients are eligible. In many cases, most, if not all, of these benefits are applied to the clients' costs of care and remitted to the state's General Revenue Fund. Total private-pay collections totaled between $6.4 million and $7.5 million annually during fiscal years 2005 through 2009. It appears a substantial portion of these revenues related to SSI and other benefits applied to clients' costs of care.

[1] As of August 2009, there were 26 state-operated facilities, of which 15 provide in-patient or other direct services to clients. Some facilities have either been closed, transferred to other entities, or reduced the number of clients served during the past 3 years.

[2] For the purpose of this report, client refers to the client or their financially responsible party, which could include, but is not limited to: parents (if the client is a minor), spouse, public administrator, or guardian.

[3] Section 167.126, RSMo, allows the DMH to recover the costs of educational services provided by the department to school-aged children from the local school district where the child's domicile is located.

In more recent years, private-pay clients receiving services directly from the DMH have received those services primarily at the operating facilities of the department's Division of Comprehensive Psychiatric Services and the habilitation centers of the Division of Developmental Disabilities. Historically, private-pay clients whose costs of care are calculated through the SMT have been billed by the DMH on a monthly basis after charges are incurred through an automated billing system maintained by the DMH Central Office.

This audit was initiated in response to concerns regarding private-pay clients not being billed for services at certain DMH operating facilities. During our investigation of this matter, we subsequently determined problems also existed related to the billing of school districts and other third-party billings at the Western Missouri Mental Health Center (WMMHC).[4]

CIMOR System Implementation

In September 1999, the DMH and the Office of Administration (OA), Division of Purchasing and Materials Management, issued a request for proposals for the purchase of a comprehensive, integrated computer system to replace, enhance, and integrate the various clinical, financial, and administrative legacy systems used throughout the department. The system was subsequently named the Customer Information Management, Outcomes and Reporting (CIMOR) system. Some of the functions of the legacy systems included tracking services provided to DMH clients and generating bills to send to appropriate payers to recover costs incurred. The State Auditor's Office issued a previous audit report[5] in 2005 concerning the development of the CIMOR system.

After several implementation delays, the DMH and the OA Information Technology Services Division (ITSD)[6] implemented the CIMOR system in October 2006. At the time of the system's implementation, additional functions and remaining legacy systems were yet to be incorporated into the CIMOR system. At the time of our audit, work on the CIMOR system was not complete and some current components of the CIMOR system did not include all of the necessary functionality of the legacy systems.

According to DMH officials, the project implementation team and DMH Executive Team determined the highest priorities and efforts should be focused on implementing the billing functions related to the greater

[4] As of June 2009, certain portions of WMMHC operations were transferred to the Truman Medical Center. The WMMHC continues to operate as a state facility, but with a new organizational name, the Center for Behavioral Medicine.

[5] Report No. 2005-36, *Office of Information Systems*, issued in June 2005.

[6] In this report, ITSD refers to the section within the division of OA ITSD that has been assigned specific responsibility for supporting DMH technology resources.

revenue-generating sources (Medicaid and Medicare). When the CIMOR system was implemented in October 2006, the system did not have the capability to generate automated billings to certain payer sources for the services provided. This situation contributed to the billing issues discussed in this report.

Scope and Methodology

Our audit of the department's handling of the private-pay accounts covered the period October 2006 through May 2009, and concentrated on those private-pay clients whose personal funds were not controlled and managed by the DMH through the client banking process.[7] Those private-pay clients whose accounts were administered through the client banking system were not adversely affected like other private-pay clients. To evaluate the department's handling of private-pay billings, we interviewed personnel of the Reimbursement Section and the ITSD; visited several operating facilities (Fulton State Hospital, St. Louis Psychiatric Rehabilitation Center, Metropolitan St. Louis Psychiatric Center, and the WMMHC) and contacted others; reviewed available records related to private-pay billings; and reviewed applicable state laws, regulations, policies, procedures, and other information.

We obtained and reviewed private-pay collection reports from the Reimbursement Section for the period July 1, 2004, to May 31, 2009. We also obtained and reviewed reports from the CIMOR system indicating the total private-pay charges through the SMT process for the period August 2006 to February 2009.

Our audit of the department's handling of the school district billings covered school years 2006-2007, 2007-2008, and 2008-2009. To evaluate the department's handling of the school district billings during this period, we interviewed or contacted officials of the Reimbursement Section, certain DMH operating facilities, the ITSD, and the Department of Elementary and Secondary Education (DESE); reviewed available records related to the school district billings; and reviewed applicable state laws, regulations, and other information.

We also obtained and reviewed school district billing data for certain DMH operating facilities for school years 2006 and prior. Further, we obtained and reviewed respective school district-related collection data in the state's accounting system for the 7 years ended June 30, 2009.

Our audit of the handling of Mo HealthNet and other third-party billings at the WMMHC covered the period October 2006 to May 2009. To evaluate the handing of these billings at the WMMHC, we interviewed personnel at

[7] Through the client banking process the DMH maintains control of the applicable clients' personal funds and is responsible for managing those monies.

that facility, the Reimbursement Section, the ITSD, and certain other facilities; reviewed available records related to these billings; and reviewed applicable state laws, regulations, and other information. We also obtained and reviewed DMH collection reports regarding MO HealthNet (Medicaid) and other third-party billings for the 4 years ended June 30, 2008. We focused our review on accounts WMMHC personnel identified as not being billed correctly. Data related to these problem accounts was shared with the Reimbursement Section staff at Central Office for review and verification.

Department of Mental Health
Billing and Collection Practices
Management Advisory Report-State Auditor's Findings

1. Private-Pay Billings

The DMH suspended the automated billing of private-pay clients for services provided during a period of almost 2 years, resulting in the loss of an undetermined, but possibly significant, amount of revenue. The DMH also did not adequately communicate with the clients regarding the suspension of the billings or their responsibility for any unbilled services. In addition, the department did not authorize the state Department of Revenue (DOR) to conduct state tax intercepts on its behalf during a 2-year period.

1.1 Services provided not billed

The DMH suspended the automated monthly billings to private-pay clients for services provided during the period October 2006 to August 2008 upon implementation of the CIMOR system. Department officials indicated these billings were suspended because the CIMOR system did not have the capability to generate the private-pay billings until the fall of 2008. While a significant amount of private-pay revenues were collected (primarily from clients' SSI and other benefit payments) during this period, the department did not require its operating facilities to prepare and distribute manual billings (though facilities were given this option) nor did it employ any other alternative methods to ensure all private-pay accounts were properly billed. Further, in March 2007 the department suspended the standard monthly billing of unpaid, outstanding balances related to private-pay services provided prior to October 2006.

DMH officials indicated that billing Medicaid/Medicare was given a higher priority than generating the less significant private-pay billings. However, it had been expected the automated private-pay functionality would be completed in a few months subsequent to October 2006. While DMH officials indicated this situation resulted in a loss of private-pay revenues, they were unable to quantify or provide adequate information to support the extent of the loss. At various times during the course of audit fieldwork, Reimbursement Section personnel estimated the amount of revenues lost due to this situation ranged from $40,000 to $400,000; however, documentation to support the estimates was not provided.

While monthly automated private-pay billings were not generated during the period October 2006 through August 2008, approximately $12 million in private-pay revenue was collected during this period. These collections occurred for various reasons including, but not limited to: (1) collections related to private-pay billings prior to October 2006, (2) collections related to SSI and other benefit payments of private-pay clients whose monies were controlled and administered by the DMH through the client banking process, (3) the manual billing of certain private-pay accounts by some operating facilities, and (4) some clients or financial administrators submitting payments to the DMH without being billed based on the SMT notification letters. These various collections (and the untimely transfer of benefit payments to the General Revenue Fund at some facilities) further contributed to the difficulties in accurately estimating the revenue losses.

Subsequent to our audit fieldwork, in January 2010, Reimbursement Section personnel provided information indicating approximately $250,000 was collected from private-pay clients related to SMT-determined charges during the 12 months prior to the implementation of the CIMOR system. The DMH contends this amount represents the maximum potential annual loss (or about $500,000 for the 2-year period) the DMH would have realized as a result of the suspension of the automated private-pay billings. However, the DMH also contends the actual loss would have been considerably less because of 1) collections related to manual billings and other private-pay collections voluntarily submitted, and 2) recent reductions in the number of clients residing at DMH habilitation centers resulting in less private-pay amounts due.

Existing balances not billed

Private-pay billings resumed in October 2008 after the functionality to generate the private-pay billing statements was added to the CIMOR system. The October 2008 billings were primarily for services provided during September 2008 and did not include most unpaid, outstanding balances incurred prior to September 2008. An email sent by a Reimbursement Section official to DMH operating facility staff in September 2008 indicated the reason for not billing these outstanding balances was because, "Executive management has decided not to upset consumers by having a huge beginning balance show up [on] a bill they haven't been receiving for almost 2 years . . . ." A Reimbursement Section official also indicated management decided to not bill these balances because of concerns regarding accuracy.

Prior to generating the October 2008 billing statements, most of the private-pay client account balances were adjusted to zero by moving the balances to inactive status, which were subsequently reflected in the client account records and on the billing statements. DMH officials said these adjustments were not considered write-offs and could be reinstituted on a client account. The CIMOR system data indicates approximately $18 million[8] in unpaid, outstanding balances were adjusted from approximately 4,000 affected private-pay client accounts. However, DMH officials stated most of this amount would have been uncollectible because it included unbilled services for clients who were set up to pay the full cost of care due to not disclosing their financial information (in accordance with department regulations). These officials indicated many of the clients who do not disclose financial information are clients (forensic and other) who have been committed to DMH institutions by court order. According to DMH officials, in November and December 2009, DMH staff reviewed the applicable account balances

[8] Most of this $18 million in adjustments (up to $12 million) related to unbilled services provided from October 2006 to August 2008. The remainder of the adjustments relates to unpaid services provided prior to the implementation of the CIMOR system in October 2006.

and researched whether client resources existed to pay costs of care. DMH staff adjusted the account balances to more accurately reflect the clients' verified ability to pay for services. The adjusted account balances total approximately $4.7 million, of which $1.6 million has been referred to the Attorney General's Office for collection.

While the extent of the actual revenue loss due to the suspension of the monthly billings is difficult to determine, it appears the loss could have been avoided with better planning and establishing an alternative means of billing the applicable private-pay clients. During the audit, we determined that 9 of 15 DMH operating facilities did perform manual billings to certain clients with outstanding balances, primarily in instances where they were requested to do so by a public administrator or a client's guardian. Personnel at two of the nine facilities indicated they prepared and sent manual billings to all private-pay clients receiving services during the period when the automated monthly billings were not generated.

To ensure revenues are maximized and clients receive fair and equitable treatment, all clients should be properly billed for services provided based on their ability to pay as determined by the SMT.

1.2 Lack of communication

The DMH did not adequately communicate with private-pay clients when the private-pay billings were suspended in October 2006 or regarding their financial responsibilities related to any unbilled amounts when the billings resumed in October 2008.

The DMH took no formal action to notify the clients when private-pay billings were suspended in October 2006 or any time prior to the reestablishment of the billings in October 2008. Any communications during the period the billings were suspended appear to have been initiated by the operating facilities, primarily through any manual billings prepared. We noted one operating facility formally communicated with certain clients about the private-pay billings being suspended.

While the DMH did explain why the billings had been suspended on the private-pay billing statements when billing resumed in October 2008, the clients were not formally advised the department still considered them responsible for any outstanding unbilled balances. At the time of our audit, DMH officials indicated a record of these outstanding balances would be maintained by the department and possibly recovered through future claims against client decedent estates. According to DMH records, during fiscal years 2006 to 2008, the DMH collected an average of approximately $480,000 annually from estate collections.

The DMH has a responsibility to communicate any significant matters that affect client billings and balances owed. It appears the department did not

adequately meet this responsibility for many private-pay clients as a result of this situation.

1.3 State tax intercepts

The DMH did not authorize the DOR to conduct any state tax intercepts on its behalf in calendar years 2007 or 2008 related to any past private-pay balances owed the department. The DMH did resume state tax intercepts beginning in calendar year 2009; however, this was primarily done only for certain outstanding services billed since September 2008.

Section 143.783, RSMo, allows the DMH to recover outstanding balances owed from certain clients through state tax intercepts and established procedures allow the department to authorize tax intercepts for any outstanding balances for the preceding 5 years. A Reimbursement Section official indicated the state tax intercepts were not performed during this period due to the private-pay balances not being billed during the period October 2006 to August 2008 and because of concerns regarding the accuracy of unbilled services recorded in the CIMOR system.

An analysis of collection data available for periods prior to the implementation of the CIMOR system indicates approximately $60,000 annually in revenues was collected from tax intercept procedures in the 3 fiscal years prior to 2007. The DMH should employ proper tax intercept procedures on a timely basis to ensure revenues collected through this procedure are maximized.

Recommendations

We recommend the Department of Mental Health ensure:

1.1 Private-pay clients are properly billed for all services provided in the future. In addition, the department should bill for any previously unbilled services provided.

1.2 Clients are properly notified of any significant matters that relate to billings for services provided and balances owed.

1.3 Proper tax intercept procedures are performed on a timely basis to collect unpaid private-pay balances owed to the department.

Auditee's Response

1.1 DMH concurs with the recommendation that private-pay clients should be properly billed for all services. DMH resumed automated billings to private-pay clients in October 2008 and is conducting an extensive review of all client accounts to determine the appropriate amount of prior unbilled services to include on private-pay statements.

1.2 DMH agrees that clients should be notified of significant changes to billings and balances owed. DMH made efforts to communicate

with clients initially with the assumption that automated billings would resume in a short period of time. Additionally, at least on an annual basis, DMH did continue to re-assess clients' financial resources as to the ability to pay and provided notification of each client's portion of the cost of services.

1.3 DMH has resumed efforts to intercept state tax refunds and will ensure these efforts continue going forward.

2. School District Billings

The DMH had not billed school districts to recover the costs of educational services provided to school-age clients for 3 years, with the last billings related to the 2005-2006 school year. As a result, the collection of the revenues related to these unbilled costs has, at a minimum, been delayed.

Section 167.126, RSMo, allows the DMH to recover the costs of providing educational services to school-age children residing at DMH operating facilities by billing the school district of the child's domicile. A Reimbursement Section official indicated the billings have not been performed because the CIMOR system did not have the ability to generate the billings and these billings had not been considered a priority in the CIMOR system implementation since they were not a significant source of revenue.

During most of this 3-year period, it appears the DMH did not seriously consider an alternative means to prepare and distribute the billings to the respective school districts. In addition, the DMH did not initiate communication with the respective school districts regarding the billing delays. A facility official we spoke to indicated calls had been received from school districts inquiring about the status of any outstanding bills which might be due. During our audit, DMH officials indicated they recently began focusing efforts on determining the amounts owed so the applicable school districts can be billed.

During audit fieldwork, Reimbursement Section officials were unable to provide information regarding the total amount not billed to school districts during the last 3 school years. These officials indicated reports from the CIMOR system, identifying the clients receiving educational services, the number of days of service, and the respective school districts, have not been developed. Further, an official indicated the school district listings in the CIMOR system may not be accurate and had not been periodically updated, so additional reviews to validate the data may be needed. An analysis of collection data available for periods prior to the implementation of the CIMOR system indicates approximately $67,000 annually was collected from school district billings during fiscal years 2005 to 2007 (there was generally a delay in the collection of these billings, with the 2005-2006 school year billings not being collected until fiscal year 2007 or after). In

November 2009, Reimbursement Section officials indicated that based on recent work performed about $50,000 would be billed to school districts for the first year of this period. These officials indicated work is pending regarding the billings for the 2007-2008 and 2008-2009 school years.

Both DESE and DMH officials said state law does not require school districts to be billed within a specified time period; therefore, the applicable school districts will be responsible for paying for the educational services provided during this 3-year period if the billings are ultimately prepared and distributed by the department. The DMH should take timely action to ensure the applicable school districts are billed for any educational services provided to clients during the past 3 school years. Until the CIMOR system has the capability to generate these billings, manual billings or some other alternative procedures should be established.

Recommendation

We recommend the Department of Mental Health determine the amounts owed by the respective schools districts for past educational services and bill those school districts as soon as practical. In addition, the DMH should ensure that current and future educational services provided by department operating facilities are billed in a timely manner.

Auditee's Response

As the auditors pointed out in their report, there is no statute of limitations for school billings. DMH has billed applicable school districts approximately $50,000 for the school year 2006-2007 and is in the process of reviewing educational services for the past two school years. The applicable school districts will be billed as soon as practical.

3. MO HealthNet and Other Third-Party Payer Billings at WMMHC and Billing System Issues

The WMMHC did not properly bill charges of at least $1.2 million to MO HealthNet and other third-party payers for services provided to clients, with at least $660,000 of these charges being uncollectible due to untimely filing. The actual amount of lost revenues would be approximately 60 percent (the federal share) or less. A third-party payer billing system fully integrated with the CIMOR system has not been established. In addition, at the department's various operating facilities some unbilled services were ineligible to be claimed since they were not billed to MO HealthNet timely, resulting in an undetermined amount of lost revenue. Further, adequate data integrity reports have not been developed to ensure all billable services are properly billed and revenue is maximized.

3.1 Services provided not properly billed

The WMMHC had not properly billed at least $1.2 million in charges for services[9] to MO HealthNet and other third-party payers since October 2006 (when the CIMOR system was implemented). Billings related to over

[9] The services not properly billed included, but were not limited to: emergency room services not properly coded, inpatient client services billed as outpatient services, and instances when services provided by medical residents were voided and not billed.

$300,000 of charges were subsequently corrected, resubmitted, and collected. However, charges of approximately $660,000 are no longer re-billable to the applicable payers because the WMMHC did not submit accurate claims and/or correct and resubmit denied claims within the specified deadlines. The amount of revenues actually received from the billed charges is less because the MO HealthNet reimbursement rate (the federal share) is approximately 60 percent and reimbursements are further limited by contractual and length of stay limits. According to DMH officials, the WMMHC actual collection rate on MO HealthNet billings in recent years has actually been less than 40 percent. As of July 2009, the remaining charges of $245,000 were still re-billable if the claims were corrected and resubmitted in a timely manner. However, reimbursements related to these charges are at risk of being lost if the claims are not processed within applicable filing deadlines.

MO HealthNet billings (which represented most of the billings in question) must be submitted within 12 months of the date of service, or if the initial billing is denied, the service provider must correct and resubmit the claim within 24 months of the date of service. For those billings where the applicable deadlines have passed, the amounts can no longer be collected resulting in lost revenues.[10]

WMMHC officials indicated many of these billing problems were identified in April 2009 after a facility employee, who had recently been assigned responsibilities for performing MO HealthNet and certain other third-party billings, began reviewing the denied claims from MO HealthNet. Reimbursement Section officials indicated it is the responsibility of the operating facilities to review each claim submitted to MO HealthNet and other payers for completeness and accuracy and to review, correct, and resubmit any denied claims. However, the implementation of the CIMOR system in October 2006 and its resulting impact on third-party billings at the operating facilities was also a factor in the billing problems experienced at the WMMHC.

The department's overall collections related to MO HealthNet billings increased during fiscal years 2007 and 2008; however, MO HealthNet collections decreased significantly for certain operating facilities (including the WMMHC) during those years. While our audit did not include a detailed review of third-party billing practices at other operating facilities, billing problems similar to those noted at the WMMHC could have also occurred at other DMH operating facilities. According to DMH personnel the revenue declines at the other operating facilities could also be due to other factors,

[10] Department operating facilities generated approximately $100 million in MO HealthNet (Medicaid) revenues in fiscal year 2008, with WMMHC generating approximately $1.275 million of that total.

including but not limited to, the number of clients served and changes in contractual rates.

To prevent further loss of revenue, the DMH should work with the WMMHC to ensure the billing problems are corrected. This would include ensuring any future claims submitted to MO HealthNet and other payers are reviewed for completeness and accuracy and any denied claims are properly corrected and resubmitted. In addition, any denied claims that can be still be corrected and submitted to the applicable third-party payer should be identified and processed in a timely manner. The DMH should also make an effort to ensure similar billing problems do not exist at the other operating facilities.

3.2 Billing system

The inaccurate or incomplete billings the WMMHC submitted to MO HealthNet or other third-party payers occurred, at least in part, because the system used to generate the bills (Claim Builder) had not been properly programmed to include all charges or ensure billing codes were accurate on claims submitted. In addition, the billing system planned to replace Claim Builder had not yet been fully developed and implemented.

When the CIMOR system was implemented in 2006, it did not have the capability of generating billings to MO HealthNet and other third-party payers for services provided by state-operated facilities. Using a separate legacy system, Claim Builder, the department began billing certain MO HealthNet-eligible services in March 2007; however, the billing of all MO HealthNet-eligible services was not fully functional until November 2007. An ITSD official said the Claim Builder system was modified to generate claims to MO HealthNet and other third-party payers for the outstanding services not billed since October 2006. However, an ITSD official said there was not sufficient time to adequately test Claim Builder prior to implementation to ensure all transactions would be appropriately captured on the claim because of the timely filing deadlines.

DMH officials indicated some programming changes have been made to Claim Builder since its modification in 2007. However, a Reimbursement Office official indicated certain other necessary programming changes to Claim Builder have not been made a priority, at least in part, because resources were being focused on development of a new billing system.

Due to the complexity of the billing processes and the manual adjustments/corrections that are required for MO HealthNet and other third-party payers, ITSD officials indicated a new billing system is planned to replace Claim Builder. An ITSD official said the development of the new billing system began in 2007, but it had not been completed as of November 2009. DMH and ITSD officials indicated the development and implementation of the new billing system has been delayed due to the

complexity of the billing processes as well as the prioritization of other projects.

Other lost revenues

Because Claim Builder was not able to process some MO HealthNet billings until November 2007, DMH personnel at the various operating facilities were required to process a significant backlog of some unbilled services once the functionality to generate the bills was added to the CIMOR system. Since the processing of MO HealthNet professional and outpatient claims for services provided did not begin until October 2007, some unbilled services were ineligible to be claimed since they were not billed to MO HealthNet timely. Due to these untimely billings, a Reimbursement Section official indicated an undetermined amount of revenue was lost.

Billing systems designed with appropriate functionality and controls to generate complete and accurate bills are necessary to maximize billable revenue.

3.3 Data integrity reports

Adequate data integrity reports to assist in reconciling total billable third-party services to total services billed and collected are not currently available.

Reimbursement Section and/or ITSD officials indicated such reports have not been created because either (1) certain reports have not been requested to be developed by Central Office and/or the operating facilities, (2) requested reports have not been deemed a priority by the implementation team, (3) certain functions needed in the billing system and/or the CIMOR system do not exist to generate the reports, or (4) the reports, even if developed, may not be accurate due to the complexity of the third-party billing requirements.

As a result of this situation, there is less assurance all services provided were properly billed and revenues have been maximized since the implementation of the CIMOR system.

Recommendations

We recommend the Department of Mental Health work with:

3.1 The WMMHC to ensure billing problems are corrected. Any denied claims that can still be corrected and submitted to the applicable third-party payer should be identified and processed in a timely manner. In addition, the DMH should ensure similar billing problems do not exist at its other operating facilities.

3.2 The ITSD to ensure the planned billing system is developed in a timely manner or improve the functionality of the current Claim Builder system for MO HealthNet and other third-party billings. During development of any new billing system, care should be

taken to ensure the system has the necessary functionality and controls to generate the claims completely and accurately.

3.3 The ITSD to ensure adequate data integrity reports are developed to provide assurance all services provided are billed and revenues are maximized. When these reports are developed, the DMH should ensure they are properly utilized.

Auditee's Response

3.1 Western Missouri Mental Health Center/Center for Behavioral Medicine (WMMHC/CBM) staff have corrected and submitted the denied claims. Regarding similar billing problems at other DMH facilities, the billing problems identified at WMMHC/CBM were mostly isolated to the emergency department. Only four DMH facilities had emergency departments in operation during the audit period and currently only two DMH facilities have emergency departments in operation. DMH will review emergency department billings to determine if similar billing problems exist at these two facilities.

3.2 DMH-ITSD has identified improvements to enhance the functionality of the current Claim Builder system and is currently working on these improvements.

3.3 DMH-ITSD agrees.