

TEXAS HEALTH AND HUMAN SERVICES COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT REPORT

CHILD-SPECIFIC CONTRACTS

*Texas Department of
Family and Protective Services*



July 15, 2019
OIG Report No. AUD-19-020



HHSC OIG

TEXAS HEALTH AND HUMAN
SERVICES COMMISSION

OFFICE OF
INSPECTOR GENERAL

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AUDIT OF CHILD-SPECIFIC CONTRACTS

Texas Department of Family and Protective Services

WHY OIG CONDUCTED THIS AUDIT

HHSC OIG Audit Division conducted an audit of Texas Department of Family and Protective Services (DFPS) child-specific contracts for individuals in state conservatorship who received inpatient services from a psychiatric hospital. Hospital costs are covered by STAR Health, which is the Texas Medicaid managed care program administered by Superior HealthPlan (Superior) that coordinates health services to children and young adults in state care.

When medical necessity for the individual ends, the STAR Health program covers up to 15 additional inpatient hospital days, called placement days. A child-specific contract is a contract between DFPS and the hospital under which the hospital continues to provide routine 24-hour care for the child until placement can be found.

WHAT OIG RECOMMENDS

DFPS should recover duplicate payments of \$189,375.00 it made to psychiatric hospitals for days of service covered by STAR Health, and strengthen its child-specific contract payment process.

Superior should recover duplicate payments of \$398,113.98 it made to psychiatric hospitals for days of service that were not covered by STAR Health and were paid by DFPS through child-specific contracts.

For more information, contact:

OIG.AuditDivision@hhsc.state.tx.us

WHAT OIG FOUND

From September 1, 2016, through May 31, 2018, there were 966 days of service paid by both DFPS and Superior for foster children inpatient psychiatric hospital stays. Only one payment should have been made for each of these days of service. This resulted in duplicate payments to psychiatric hospitals of \$587,488.98.

DFPS made payments of \$189,375.00 for 292 days of service that should have been paid only by Superior, and Superior made payments of \$398,113.98 for 674 days of service that should have been paid only by DFPS.

Duplicate payments occurred when:

- DFPS made payments under child-specific contracts before medical necessity and up to 15 placement days were completed, resulting in DFPS paying for days covered by STAR Health that were correctly paid by Superior.
- DFPS made payments under child-specific contracts for days subsequent to the execution of a child-specific contract when a medically necessary event occurred, resulting in DFPS paying for days covered by STAR Health that were correctly paid by Superior.
- Superior made payments after manual overrides performed in error reversed claim edits that had denied payments for the noncovered days, resulting in Superior paying for days that were not covered by STAR Health and that were correctly paid by DFPS.
- Superior chose to make payments for days that were not medically necessary and after 15 placement days ended, to ensure services were provided to STAR Health children after Hurricane Harvey. DFPS had executed child-specific contracts and paid for the same days of service.

The audit objective was to determine whether DFPS child-specific contract payments were made to psychiatric hospitals only for services not covered by STAR Health. The audit scope included DFPS child-specific contracts for the period of September 1, 2016, through May 31, 2018.

The OIG Audit Division presented the audit results, issues, and recommendations to DFPS in a draft report dated June 24, 2019. DFPS concurred with the OIG Audit Division recommendations, and stated that it has put some controls in place to prevent future duplicate payments and is implementing others. It is also taking action to ensure duplicate payments are returned to DFPS and Superior, as applicable. The DFPS management responses are included in the report after each recommendation.

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INTRODUCTION

The Texas Health and Human Services Commission (HHSC) Office of Inspector General (OIG) Audit Division conducted an audit of Texas Department of Family and Protective Services (DFPS) child-specific contracts for children in state conservatorship who received inpatient services from a psychiatric hospital.

High needs foster children and young adults¹ are sometimes admitted to psychiatric hospitals² for mental health services. Hospital costs are covered by State of Texas Access Reform (STAR) Health, which is the Texas Medicaid managed care program that coordinates medical and behavioral health services to children in state care. Superior HealthPlan (Superior) is contracted by HHSC as the only managed care organization that administers the STAR Health program.

Superior evaluates STAR Health children for medical necessity through its prior authorization process. When inpatient medical necessity exists, Superior is responsible for paying hospital costs, by either paying claims based on contracted daily rates or paying a diagnosis-related group (DRG) claim.

Once Superior determines medical necessity for the child is ending, the STAR Health program also covers up to 15 additional inpatient hospital days, called placement days.³ Placement days give the DFPS caseworker time to find placement for the foster child. If the caseworker is unable to find placement for the foster child by the end of the 15-day period, DFPS executes a child-specific contract with the psychiatric hospital.

A child-specific contract is a contract between DFPS and the hospital under which the hospital continues to provide routine 24-hour care for the child until placement can be found. DFPS reimburses the hospital based on a daily payment rate. During the period included in the scope of this audit, DFPS had 1,163 child-specific contracts with psychiatric hospitals and paid \$15,077,251.63 to psychiatric hospitals under child-specific contracts.

A hospital submits claims to Superior after the child is discharged, and DFPS pays the hospital after the child is discharged. Information about billing and payment processes follow.

¹ While State of Texas Access Reform (STAR) Health covers both foster children and young adults, this report refers to them collectively as foster children.

² For the purposes of this report, a psychiatric hospital is any hospital that provides inpatient mental health services.

³ STAR Health Contract, Attachment B-1, § 8.1.17, v. 2.3 (Sept. 1, 2016) through v. 2.6 (Mar. 1, 2018).

A hospital that has contracted daily rates with Superior submits a claim to Superior, after the child is discharged, at the contracted daily rate for the number of days beginning with the admission date and ending with up to 15 days, as applicable, after the date medical necessity ended. Superior processes the claim and pays the hospital for the number of days the child had medical necessity, plus up to 15 days, as applicable.

A hospital that uses DRGs submits a claim to Superior, after the child is discharged, at the DRG rate for the number of days beginning with the admission date and ending with up to 15 days, as applicable, after the date medical necessity ended. The DRG payment amount is the same no matter how many days the child was an inpatient in the hospital.

A hospital does not file a claim or submit an invoice to DFPS for services provided under a child-specific contract. DFPS pays the hospital for the number of days that begin with the effective date of the contract and ends with the discharge date.

Duplicate payments occur in the following situations:

- Superior and DFPS pay a daily rate to a hospital for the same day.
- DFPS pays the hospital a daily rate for a day included in the period of approved medical necessity plus up to 15 days, as applicable, for a hospital Superior paid based on a DRG claim.

Objectives and Scope

The audit objective was to determine whether DFPS child-specific contract payments were made to psychiatric hospitals only for services not covered by STAR Health.

The audit scope included DFPS child-specific contracts for the period of September 1, 2016, through May 31, 2018.

Methodology

The OIG Audit Division collected information through discussions and interviews with DFPS management and staff.

The OIG Data and Technology Division obtained data used for testing from the following sources:

- DFPS child-specific contract payment data was obtained from the DFPS Data Request and Intake Tracking (DRIT) reporting system, a data warehouse that is populated from information contained in the Information Management Protecting Adults and Children in Texas (IMPACT) application.
- STAR Health claims encounter data was obtained from the Texas Medicaid and Healthcare Partnership (TMHP).

The OIG Audit Division tested 100 percent of the claims and payments for STAR Health children who were inpatients in psychiatric hospitals during the audit period by comparing (a) STAR Health encounter data for psychiatric hospital stays with (b) payments from DRIT, to identify any overlapping service days. An overlapping service day indicated that payments were made by both Superior and DFPS for the same psychiatric inpatient hospital service day.

The data used for this comparison was determined to be reliable for the purposes of this audit.

The OIG Audit Division presented the audit results, issues, and recommendations to DFPS in a draft report dated June 24, 2019. DFPS concurred with the OIG Audit Division recommendations, and stated that it has put some controls in place to prevent future duplicate payments and is implementing others. It is also taking action to ensure duplicate payments are returned to DFPS and Superior, as applicable. The DFPS management responses are included in the report after each recommendation.

Criteria

The OIG Audit Division used the following criteria to evaluate the information provided:

- 1 Tex. Admin. Code § 371.1655(18) (2016)
- STAR Health Contract, v. 2.3 (2016) through v.2.6 (2018)

Auditing Standards

Generally Accepted Government Auditing Standards

The OIG Audit Division conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the

United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the issues and conclusions based on our audit objectives. The OIG Audit Division believes the evidence obtained provides a reasonable basis for our issues and conclusions based on our audit objectives.

AUDIT RESULTS

From September 1, 2016, through May 31, 2018, there were 966 days of service paid by both DFPS and Superior for foster children inpatient psychiatric hospital stays. Only one payment should have been made for each of these days of service. This resulted in duplicate payments to psychiatric hospitals of \$587,488.98. DFPS made payments of \$189,375.00 for 292 days of service that should have been paid only by Superior, and Superior made payments of \$398,113.98 for 674 days of service that should have been paid only by DFPS.

Issues related to payments by DFPS and Superior that resulted in duplicate payments to psychiatric hospitals are discussed in the sections that follow.

DUPLICATE PAYMENTS BY DFPS

When Superior determines that an inpatient psychiatric hospital stay is no longer medically necessary, it issues a denial letter to the psychiatric hospital and notifies DFPS. After medical necessity ends and after 15 additional placement days, care of the child is no longer covered by STAR Health, and DFPS pays for the housing and supervision of the child through a child-specific contract. The contract takes effect after the end of 15 placement days and continues until DFPS finds a placement for the child.

If medically necessary services are needed for the child after the child-specific contract is in effect, those services are covered by STAR Health. Superior pays for the days where medical necessity is in effect, instead of DFPS.^{4,5}

Issue 1: DFPS Paid Psychiatric Hospitals for Days of Service Covered by STAR Health

For 59 child-specific contracts with 19 psychiatric hospitals, both DFPS and Superior paid for 292 days of inpatient psychiatric hospital services that should have been only been paid by Superior. The DFPS payment amounts that resulted in duplicate payments totaled \$189,375.00. A summary of duplicate payments is included in Appendix A.

For 55 of the 59 child-specific contracts, the contracts were executed by DFPS with effective dates earlier than the date represented by the end of medical necessity plus 15 placement days. As a result, DFPS paid for 219 service days that were covered by STAR Health. This occurred because controls were not in place to reliably

⁴ STAR Health Contract, Attachment B-1, § 8.1.17, v. 2.3 (Sept. 1, 2016) through v.2.6 (Mar. 1, 2018).

⁵ 1 Tex. Amin. Code § 371.1655(18) (May 1, 2016).

prevent the execution of a child-specific contract before medical necessity, and up to 15 placement days, were completed.

DFPS made duplicate payments to psychiatric hospitals of \$141,925.00 for these 219 days of service.

For 4 of the 59 child-specific contracts, the child experienced medically necessary psychiatric events during the period where the child's care was being paid through a child-specific contract. As a result, DFPS paid for 73 service days that were covered by STAR Health. This occurred because controls were not in place to prevent payment under a child-specific contract for days subsequent to the execution of a child-specific contract when a medically necessary event occurred.

DFPS made duplicate payments to psychiatric hospitals of \$47,450.00 for these 73 days of service.

During this period, DFPS did not have effective coordination or communication processes in place with Superior or psychiatric hospitals to help prevent duplicate payments, and did not have a reconciliation process in place to detect and resolve overpayments that occurred.

Recommendation 1

DFPS should:

- Recover duplicate payments of \$189,375.00 it made to psychiatric hospitals for days of service covered by STAR Health.
- Strengthen its child-specific contract payment process by developing or improving preventive and detective controls to strengthen its child-specific contract payment process.

Management Response

Action Plan

Controls:

- A. The State Office Placement Program Specialist is responsible for obtaining the date STAR health coverage ends from both the contractor and STAR Health. They will obtain a copy of the denial letter indicating the last day of STAR Health coverage. Using this information, the program specialist will identify the DFPS contract effective date.*
- B. Residential Contracts will conduct a reconciliation bi-annually in September and March of each year to ensure no overpayment has occurred*

for days subsequent to the execution of a child-specific contract when a medically necessary event occurs.

Collection: DFPS is requesting the client specific detail supporting the overpayments. Within 30 days of receipt of the detail, the collection process will be initiated. Correspondence will be sent to the applicable contractors and repayment will be requested with an initial repayment submission due within 30 days of the notice. If not received, DFPS will continue with its normal collection process, up to and including referral to the Office of Attorney General.

Responsible Manager

Controls:

- A. Division Administrator for Placement*
- B. CPS [Child Protective Services] Director of Services will coordinate with HHSC to obtain necessary payment data. Director Residential Contracts will be responsible for conducting the reconciliation and working with accounting through the collection process, as needed.*

Collection: Director Residential Contracts and Accounting Director are responsible for collection.

Target Implementation Date

Controls:

- A. Implemented June 13, 2019*
- B. Start date of September 2019*

Collection: Up to 120 days from receipt of client specific detail.

DUPLICATE PAYMENTS BY SUPERIOR

Under the STAR Health program, Superior pays claims to psychiatric hospitals for inpatient foster children until medical necessity, and up to an additional 15 placement days, ends.

Issue 2: Superior Paid Psychiatric Hospitals for Days of Service Not Covered by STAR Health and Paid by DFPS Through Child-Specific Contracts

Both Superior and DFPS paid 17 psychiatric hospitals for 674 days of inpatient psychiatric hospital services that should have been only paid by DFPS. The Superior payment amounts that resulted in duplicate payments totaled \$398,113.98. A summary of duplicate payments is included in Appendix A.

For 7 inpatient psychiatric hospital stays, Superior paid for days of service that occurred after medical necessity and an additional 15 placement days had ended. As a result, Superior paid for 132 service days that were not covered by STAR Health. This occurred because manual overrides reversed claims edits that had denied payments for the noncovered days. Superior indicated that the manual overrides were performed in error.

Superior made duplicate payments to psychiatric hospitals of \$66,297.98 for the 132 service days.

For 47 other inpatient psychiatric hospital stays, Superior also paid for days of service that occurred after medical necessity and an additional 15 placement days had ended. As a result, Superior paid for 542 service days that were not covered by STAR Health.

Superior made these payments during the first 90 days after Hurricane Harvey. Hurricane Harvey hit the Texas gulf coast on August 25, 2017. After Governor Abbott declared a state of emergency in 50 affected counties, the Texas Department of Insurance and HHSC directed Superior that it could choose to continue paying for non-medically necessary STAR Health services for up to 90 days after the declaration.⁶ Superior chose to make these payments after medical necessity and 15 placement days had ended, in an effort to ensure services continued for the potentially affected children.

DFPS followed its normal process of initiating child-specific contracts with the psychiatric hospitals at the end of medical necessity and the 15 placement days—unaware that Superior was planning to pay for additional days.

⁶ STAR Health Contract, Attachment A, § 7.02, v. 2.3 (Sept. 1, 2016) through v.2.6 (Mar. 1, 2018).

Superior made duplicate payments to psychiatric hospitals of \$331,816.00 for the 542 service days.

DFPS has indicated that it was appropriate for DFPS to pay for these days, even though Superior was willing to (and did) pay the hospitals to help ensure services were available to STAR Health children in the aftermath of Hurricane Harvey.

Recommendation 2

DFPS should, in coordination with HHSC Medicaid and CHIP Services, which manages the STAR Health program, notify Superior that it may recover duplicate payments of \$398,113.98 Superior made to psychiatric hospitals for service days that were not covered by STAR Health and were paid by DFPS through child-specific contracts.

Management Response

Action Plan

DFPS will coordinate with HHSC to achieve the recommendation of Superior being notified of the ability to recover duplicate payments.

Responsible Manager

CPS Director of Services

Target Implementation Date

DFPS will request client specific detail to support the overpayment to HHSC. Upon receipt of the supporting documentation, information will be shared with HHSC.

CONCLUSION

From September 1, 2016, through May 31, 2018, there were 966 days of service paid by both DFPS and Superior for foster children inpatient psychiatric hospital stays. Only one payment should have been made for each of these days of service. This resulted in duplicate payments to psychiatric hospitals of \$587,488.98. DFPS made payments of \$189,375.00 for 292 days of service that should have been paid only by Superior, and Superior made payments of \$398,113.98 for 674 days of service that should have been paid only by DFPS.

Duplicate payments occurred when:

- DFPS made payments under child-specific contracts before medical necessity and up to 15 placement days were completed, resulting in DFPS paying for days covered by STAR Health that were correctly paid by Superior.
- DFPS made payments under child-specific contracts for days subsequent to the execution of a child-specific contract when a medically necessary event occurred, resulting in DFPS paying for days covered by STAR Health that were correctly paid by Superior.
- Superior made payments after manual overrides performed in error reversed claims edits that had denied payments for the noncovered days, resulting in Superior paying for days that were not covered by STAR Health and that were correctly paid by DFPS.
- Superior chose to make payments for days that were not medically necessary and after 15 placement days ended, to ensure services were provided to STAR Health children after Hurricane Harvey. DFPS had executed child-specific contracts and paid for the same days of service.

The OIG Audit Division offered recommendations to DFPS which, if implemented, will result in recovery of the duplicate payments and the strengthening of DFPS's controls over child-specific contract payments.

The OIG Audit Division thanks management and staff at DFPS and Superior HealthPlan for their cooperation and assistance during this audit.

Appendix A: Duplicate Payments

The table below provides details about amounts paid by Superior and DFPS that resulted in duplicate payments to psychiatric hospitals.

Providers	Payments Made by Superior that Resulted in Duplicate Payments	Payments Made by DFPS that Resulted in Duplicate Payments
Austin Oaks Hospital	\$ 9,772.98	
Behavioral Health Management, LLC	27,140.00	\$ 7,150.00
Cross Creek Hospital		1,300.00
Dallas Behavioral Healthcare Hospital, LLC		40,950.00
Hickory Trail Hospital, LP	13,860.00	14,950.00
HMIH Cedar Crest, LLC	3,744.00	7,150.00
Hopebridge Hospital Houston, LLC		1,300.00
Houston Behavioral Healthcare Hospital, LLC	21,000.00	
Intracare Hospital North	111,250.00	1,950.00
Kingwood Pines Hospital, LLC	3,750.00	13,225.00
Metroplex Adventist Hospital, Inc.		1,300.00
Millwood Hospital, LP	1,530.00	1,300.00
Nix Hospital System, LLC	23,125.00	650.00
River Crest Hospital, Inc.	16,900.00	650.00
San Antonio Behavioral Healthcare Hospital, LLC	25,800.00	26,650.00
Seton Shoal Creek Hospital	19,376.00	
South Texas Health System	2,400.00	10,400.00
Sun Houston, LLC	14,375.00	1,300.00
Texas Cypress Creek Hospital LP	625.00	14,950.00
Texas Laurel Ridge Hospital, LP	97,940.00	31,850.00
Vista Health Texarkana		650.00
West Oaks Hospital, LP	5,526.00	11,700.00
Total	\$398,113.98	\$189,375.00

Source: *OIG Audit Division*

Appendix B: Report Team and Distribution

Report Team

- Joel A. Brophy, CIA, CFE, CRMA, CICA, Audit Director
- Dan Hernandez, CFE, Audit Manager
- Jeff Jones, CPA, CIGA, Audit Project Manager
- Inette Brown, Staff Auditor
- Summer Grubb, CGAP, Senior Auditor
- Marcos Castro, Staff Auditor
- Mo Brantley, Senior Audit Operations Analyst

OIG Support

- Jonathan O'Reilly, Director of Fraud Analytics

Report Distribution

Health and Human Services

- Dr. Courtney N. Phillips, Executive Commissioner
- Cecile Erwin Young, Chief Deputy Executive Commissioner
- Victoria Ford, Chief Policy Officer
- Karen Ray, Chief Counsel
- Nicole Guerrero, Director of Internal Audit
- Stephanie Muth, State Medicaid Director, Medicaid and CHIP Services

Department of Family and Protective Services

- Trevor Woodruff, DFPS Acting Commissioner
- Shaniqua Johnson, DFPS Assistant Deputy Commissioner
- Chance Watson, DFPS Director of Internal Audit
- Rand Harris, DFPS Chief of Staff
- Kristine Blackstone, DFPS CPS Associate Commissioner

- Lynn Blackmore, DFPS Chief Operating Officer
- Audrey Carmical, DFPS General Counsel
- Shannon Brookfield, DFPS CPS Division Administrator for Placement
- Elizabeth Kromrei, DFPS CPS Director of Services
- Cristina Guerrero, DFPS CPS Director of Residential Contracts

Appendix C: OIG Mission and Contact Information

The mission of OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG's mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Inspector General
- Susan Biles, Chief of Staff
- Dirk Johnson, Chief Counsel
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Olga Rodriguez, Chief of Strategy and Audit
- Quinton Arnold, Chief of Inspections and Investigations
- Steve Johnson, Interim Chief of Medicaid Program Integrity
- Tony Owens, Deputy IG for Third Party Recoveries
- David Griffith, Deputy IG for Audit
- Alan Scantlen, Deputy IG for Data and Technology
- Lizet Hinojosa, Deputy IG for Benefits Program Integrity
- Judy Hoffman-Knobloch, Assistant Deputy IG for Medical Services

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- Phone: 1-800-436-6184

To Contact OIG

- Email: OIGCommunications@hhsc.state.tx.us
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