MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

PERFORMANCE AUDIT
OF

HAWTHORN CENTER

BUREAU OF HOSPITALS, CENTERS,
AND FORENSIC MENTAL HEALTH SERVICES
DEPARTMENT OF COMMUNITY HEALTH

April 2005

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

39-215-04

"...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof."

– Article IV, Section 53 of the Michigan Constitution

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REPORT SUMMARY

Performance Audit

Hawthorn Center

Bureau of Hospitals, Centers, and Forensic Mental Health Services
Department of Community Health

Report Number:
39-215-04

Released:
April 2005

Hawthorn Center, located in Northville, Michigan, provides intensive inpatient psychiatric services to children and adolescents. Children residing in Michigan between the ages of 5 and 17 who have severe emotional and/or behavioral disorders may be eligible for inpatient treatment. The Center does not provide services to children whose primary diagnosis is a developmental disability, substance abuse, or juvenile delinquency.

Audit Objective:
To assess the Center's effectiveness in maximizing cost reimbursement.

Audit Conclusion:
We concluded that the Center was generally effective in maximizing cost reimbursement.

Reportable Condition:
The Center did not submit some Medicaid claims on a timely basis to help ensure that the State recovered the federal share of Medicaid costs. As a result, the State did not recover approximately $510,000, including $481,000 relating to services provided from October 1, 2001 through June 1, 2003 (Finding 1).

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Audit Objective:
To assess the Center's effectiveness in coordinating continuity of care for its patients.

Audit Conclusion:
We concluded that the Center was generally effective in coordinating continuity of care for its patients.

Reportable Conditions:
The Center did not ensure that person-centered planning assessments were completed, as required by the Mental Health Code (Finding 2).

Center staff did not ensure that parents and/or guardians were notified of a patient's dental care needs upon the patient's release from the Center (Finding 3).

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Audit Objective:
To assess the Center's effectiveness and efficiency in preparing meals and in serving meals to its patients.

Audit Conclusion:

We concluded that the Center was generally effective and efficient in preparing meals and in serving meals to its patients. Our report does not include any reportable conditions related to this audit objective.

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Agency Response:

Our audit report contains 3 findings and 3 corresponding recommendations. DCH's preliminary response indicated that DCH and the Center agreed with the findings and recommendations and that they have taken or will take steps to comply with each of the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: http://audgen.michigan.gov

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April 5, 2005

Ms. Janet Olszewski, Director
Department of Community Health
Lewis Cass Building
Lansing, Michigan

Dear Ms. Olszewski:

This is our report on the performance audit of Hawthorn Center, Bureau of Hospitals, Centers, and Forensic Mental Health Services, Department of Community Health.

The report contains our report summary; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Agency

Hawthorn Center is located in Northville, Michigan. The Center provides intensive inpatient psychiatric services (24-hour supervision) to children and adolescents. The Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) accredited the Center through December 20, 2004. JCAHO performs a review every three years.

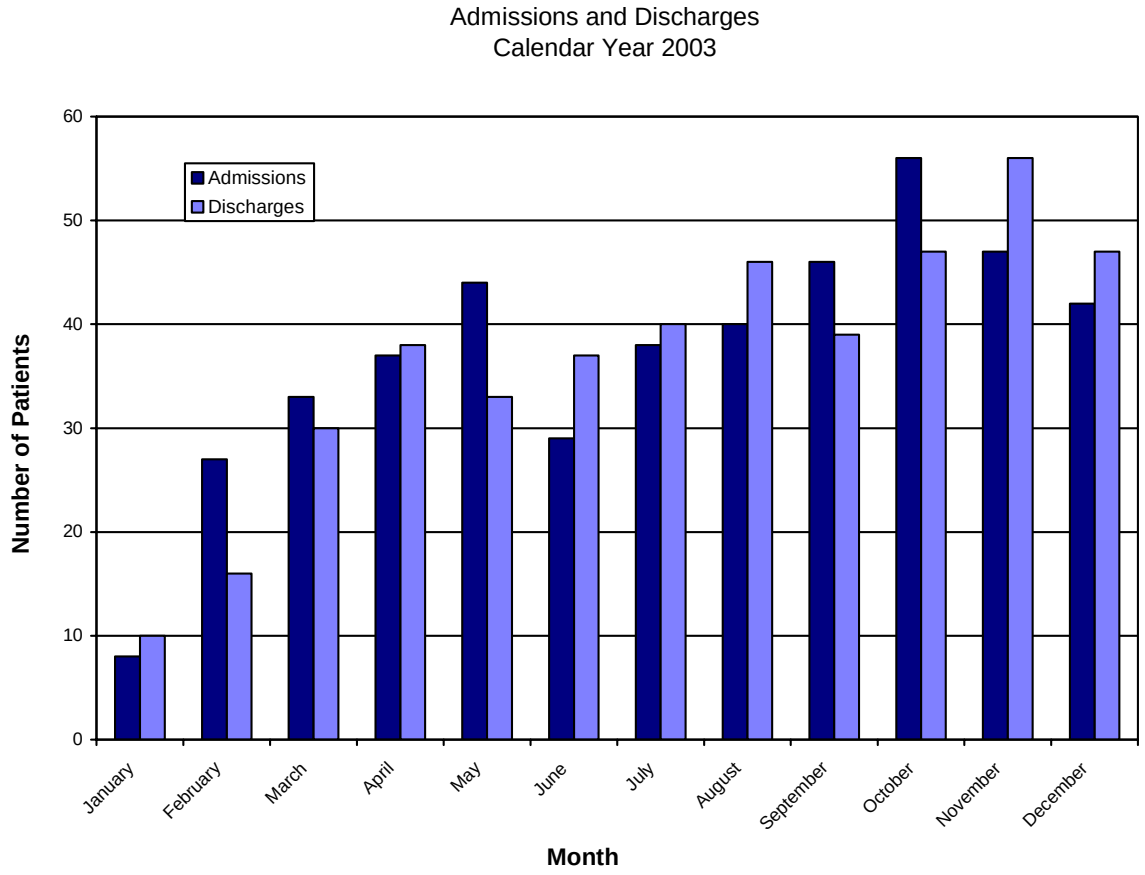
Children residing in Michigan between the ages of 5 and 17 who have severe emotional and/or behavioral disorders may be eligible for inpatient treatment at the Center. As of June 30, 2004, the Center had a capacity of 118 patients. The following chart shows the number of admissions and discharges and the percentage of patients by age and sex over the last three calendar years:

Trends in Patient Demographics

			Percentage of Patients Who Are				
Calendar Year	Number of Admissions	Number of Discharges	Less Than 13 years	13 Years and Older	Male	Female	Court Wards
2001	132	142	36%	64%	50%	50%	30%
2002	91	145	21%	79%	58%	42%	33%
2003	447	439	38%	62%	58%	42%	35%

The Center does not provide services to children whose primary diagnosis is a developmental disability, substance abuse, or juvenile delinquency. Referrals to the Center are accepted only from community mental health services providers that serve the county in which the child resides. On the day of admission, children are evaluated by the psychiatric, nursing, social work, and pediatric staff. Within 3 to 5 days after admission, psychological, educational, and dental assessments are completed. Each child attends the Center's school for a full day, year round. When not in school, children participate in various treatment and recreational activities planned and supervised by nursing and recreational therapy staff.

In February 2003, the Center began accepting shorter-term patients in addition to its long-term patients, which increased both admissions and discharges, as shown in the following graph:



	January	February	March	April	May	June	July	August	September	October	November	December
Admissions	8	27	33	37	44	29	38	40	46	56	47	42
Discharges	10	16	30	38	33	37	40	46	39	47	56	47

From October 2001 through April 2004, the Center had 815 admissions, 92 of which were readmissions. Of the 815 admissions, 361 (44%) were admissions of 30 days or less. The average length of stay was 109 days, ranging from 1 to 772 days. For calendar year 2003, the Center had an average daily census of 65 patients.

For fiscal year 2002-03, the Center expended approximately $18 million, of which approximately 90% were personnel costs. As of September 30, 2003, the Center had 220 employees and used contractual service providers to assist in operating its programs. Staff provide psychiatric, nursing, psychological, social work, educational,

recreational therapy, pediatric, dental, pharmaceutical, nutritional, and vocational training services. Direct care contractual services (registered nurses and recreational therapy) cost the Center approximately $55,000 for fiscal year 2002-03.

Audit Objectives

Our performance audit* of Hawthorn Center, Bureau of Hospitals, Centers, and Forensic Mental Health Services, Department of Community Health (DCH), had the following objectives:

1. To assess the Center's effectiveness* in maximizing cost reimbursement.

2. To assess the Center's effectiveness in coordinating continuity of care for its patients.

3. To assess the Center's effectiveness and efficiency* in preparing meals and in serving meals to its patients.

Audit Scope

Our audit scope was to examine program and other records related to selected operational activities at Hawthorn Center. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, conducted during March through June 2004, included examination of Hawthorn Center records and activities primarily for the period October 1, 2001 through June 30, 2004.

To help plan the audit, we conducted a preliminary review to obtain an understanding of the Center's control environment over selected operational activities. As part of our preliminary review, we interviewed Center and DCH management and staff; reviewed applicable laws, rules, regulations, policies and procedures, and other miscellaneous information; and conducted limited testing of financial and other transactions.

To accomplish our first objective, we obtained an overall understanding of the responsibilities of the Center's reimbursement office. We then selected and reviewed a

** See glossary at end of report for definition.*

sample of patient reimbursement files in order to determine whether a patient and/or parent had an ability to pay and, if so, whether staff attempted to bill and collect from the patient and/or parent. We also examined each file to determine whether private insurance was available, and whether it was billed and collected prior to billing Medicaid*. In addition, we reviewed remittance advice reports* to determine if there were any Medicaid claims that had not been billed timely.

To accomplish our second objective, we considered the extent to which the Center provides continuity of care through services and programs in an effective and controlled manner. We reviewed patient care services such as dental and patient assessments. We selected a sample of discharged patients and reviewed each of their patient files. We traced the dental records to discharge materials and spoke to dental and medical records staff. We randomly sampled patient assessments and tested these assessments for completeness and timeliness in accordance with procedures and policies. We also discussed with Center personnel the significance of timely patient assessments.

To accomplish our third objective, we gathered nutritional information relating to the needs of the patients at the Center. We obtained food service policies and food safety standards and then tested daily production logs, menus, and food invoices. We also observed food service practices. We compared daily production logs to menus that contained the daily allowance in serving sizes. We compared food invoices to production sheets and inventory. In addition, we evaluated Center controls over preparing and serving meals.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 3 findings and 3 corresponding recommendations. DCH's preliminary response indicated that DCH and the Center agreed with the findings and recommendations and that they have taken or will take steps to comply with each of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DCH to

** See glossary at end of report for definition.*

develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior financial audit of Hawthorn Center (#3921590) in June 1991. At that time, the Center was a part of the Department of Mental Health. Within the scope of this audit, we followed up 4 of the 17 prior audit recommendations. The Center complied with all 4 prior audit recommendations.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS IN MAXIMIZING COST REIMBURSEMENT

COMMENT

Background: Hawthorn Center's reimbursement office determines the financial liability of the patients and/or the parents for costs incurred by the Center for all patients admitted for care. Also, the reimbursement office is responsible for recovering costs for patient stays from all available resources. Costs can be recovered by billing private health insurance, Medicaid, patients, family members, counties, and the State. Over the last three fiscal years, the Center has collected approximately $36.3 million in total from these sources.

Audit Objective: To assess the Center's effectiveness in maximizing cost reimbursement.

Conclusion: We concluded that the Center was generally effective in maximizing cost reimbursement. However, we noted a reportable condition* pertaining to the timely billing of Medicaid claims (Finding 1).

FINDING

1. Timely Billing of Medicaid Claims

   The Center did not submit some Medicaid claims on a timely basis to help ensure that the State recovered the federal share of Medicaid costs. As a result, the State did not recover approximately $510,000, including $481,000 relating to services provided from October 1, 2001 through June 1, 2003.

   Section 10.3 of the Medicaid Provider Manual (General Information for Providers Chapter) states that a claim must initially be submitted, received, and acknowledged within 12 months from the date of service. Medicaid will reject claims submitted by the Center when the claim is not completed correctly or when Medicaid's system indicates that other insurance is available to pay the claim. When this occurs, the Center must then re-examine the claim to verify that all information on the claim is accurate and ensure that reimbursement is obtained from any other available insurance coverage before resubmitting the claim to Medicaid. All rejected claims with service dates more than one year old must be corrected and resubmitted within 120 days from the date of last rejection. If original

** See glossary at end of report for definition.*

or corrected claims are not submitted within the required time frames, the claims will expire.

We reviewed all remittance advice reports dated from October 1, 2001 through June 23, 2004, which covered services provided from January 21, 1998 through June 1, 2003. These reports indicate whether the claims submitted to Medicaid had been approved, had been rejected, or were still pending. We found 77 claims, or partial claims, that had been rejected by Medicaid because they had not been submitted within the time frames specified in the Medicaid Provider Manual. Nineteen (25%) of the 77 claims were claims that had not been submitted within one year from the date of service. The remaining 58 (75%) claims were submitted on a timely basis at least once within the required time frames but had been rejected and had not been resubmitted within 120 days of the last rejected claim.

Because the Center did not submit or resubmit these claims to Medicaid on a timely basis, the State lost approximately $510,000. This amount was the federal share of the total costs of these claims, based on the federal financial participation rate for Medicaid services for fiscal years 1997-98 through 2003-04.

RECOMMENDATION

We recommend that the Center submit Medicaid claims on a timely basis to help ensure that the State recovers the federal share of Medicaid costs.

AGENCY PRELIMINARY RESPONSE

DCH and the Center agreed with the finding and recommendation. DCH informed us that, subsequent to the audit period, it consolidated the billing function for all hospitals and centers in the Revenue and Reimbursement Division. Also, DCH informed us that considerable progress has been made to get the billing of Medicaid claims for the Center up-to-date and that the Division is working with other Medicaid staff to identify previously unbilled claims that can still be processed. In addition, DCH informed us that a project is currently underway to review the Medicaid claims' status in other State psychiatric facilities and that steps are being implemented to ensure that the Medicaid claims are submitted timely and kept up-to-date.

EFFECTIVENESS IN COORDINATING CONTINUITY OF CARE

COMMENT

Background: The Center provides a wide variety of continuous care services to its patients. Care provided consists of, but is not limited to, therapeutic services, dental services, investigations by DCH's Office of Recipient Rights, risk management duties, and discharge services. Patient assessments are used at the time of patient admission to determine which care services would benefit the patients the most.

There are 8 assessments that are required to be completed upon the admission of a patient. Four assessments (medical, psychiatric, dietary, and nursing) are required to be completed in the first 24 hours and the other 4 (psychology, education, social work, and person-centered planning) within the first week.

Audit Objective: To assess the Center's effectiveness in coordinating continuity of care for its patients.

Conclusion: We concluded that the Center was generally effective in coordinating continuity of care for its patients. However, we noted reportable conditions related to completion of person-centered planning assessments and dental care needs of released patients (Findings 2 and 3).

FINDING

2. Completion of Person-Centered Planning Assessments

   The Center did not ensure that person-centered planning assessments were completed, as required by the Mental Health Code.

   Properly prepared person-centered planning assessments would help ensure the implementation of effective therapeutic, educational, and other interactive services at the Center.

   Section 330.1712 of *Michigan Compiled Laws* (a section of the Mental Health Code) states that the responsible mental health agency for each recipient shall ensure that a person-centered planning process is used to develop a written individual plan of services in partnership with the recipient. In accordance with federal regulations, the Hawthorn Center Policy Manual requires that

person-centered planning assessments shall be completed by the time of the 7-Day Treatment Plan Conference.

We reviewed the patient assessments for a sample of 61 patients who had been released from the Center during the period September 3, 2003 through February 27, 2004. Our review disclosed that person-centered planning assessments were not completed for 21 (34%) of the 61 patients.

Person-centered planning assessments allow patients and their parents/guardians to identify their most receptive and comprehensive attributes, which then assist the Center in designing an effective treatment plan and involve the patient in the treatment planning process. Completing the person-centered planning assessment would also improve the effectiveness of services at the Center and ensure compliance with Center policies and federal regulations.

RECOMMENDATION

We recommend that the Center ensure that person-centered planning assessments are completed, as required by the Mental Health Code.

AGENCY PRELIMINARY RESPONSE

DCH and the Center agreed with the finding and recommendation. DCH informed us that new procedures were put into effect on March 1, 2004 to ensure the timely completion of person-centered planning assessments and the newly revised admission assessment form must now be completed in triplicate, with one copy going to the parent/guardian for signature. Also, DCH informed us that this process has helped eliminate delays in completing the form and indicated that the new procedures include a quality assurance monitoring process that ensures required documentation is placed in the patient's medical record by the time of the 7-Day Treatment Plan Conference. DCH informed us that, for this purpose, a new form has been developed that documents when the person-centered planning assessments have been completed. In addition, DCH informed us that completed forms are sent to the Office of the Chief of Clinical Affairs where they are reviewed/monitored for compliance with timeliness standards and, if the assessments have not been completed, appropriate follow-up is initiated to ensure that the assessments are promptly completed.

FINDING

3. Dental Care Needs of Released Patients

Center staff did not ensure that parents and/or guardians were notified of a patient's dental care needs upon the patient's release from the Center. As a result, patients may not have received needed dental services after being released from the Center.

The Center's dentist provides dental services to patients admitted to the facility. These services include cleanings, fluoride treatments, regular cavity fillings, and consultation recommendations for major dental treatment (tooth removal, root canals, etc.). Upon admission, each patient receives an initial dental evaluation and, if needed, Center staff will schedule a follow-up visit to perform any other necessary services. However, many of the Center's patients are at the facility for only a short period of time and are released prior to receiving the necessary follow-up dental care.

We reviewed patient files for a sample of 49 patients who had visited the dentist and been released from the Center since September 3, 2003. Twenty (41%) of the 49 patients, who received dental services, required an additional appointment for follow-up dental treatment. However, 17 (85%) of these 20 patients were released from the Center before the necessary follow-up dental services were provided. Our review disclosed that Center staff did not inform the patients' parents or guardians about needed dental services when the patients were released from the Center.

RECOMMENDATION

We recommend that Center staff ensure that parents and/or guardians are notified of a patient's dental care needs upon the patient's release from the Center.

AGENCY PRELIMINARY RESPONSE

DCH and the Center agreed with the finding and recommendation. DCH informed us that, effective June 16, 2004, the Center implemented procedures that require the dentist, with assistance from the Medical Records staff, to send letters to the parents and/or guardians soon after discharge for those patients needing follow-up. Also, DCH informed us that the letters emphasize the patient's specific needs that require follow-up with the child's personal dentist. In addition, DCH informed us that the Office of the Chief of Clinical Affairs has been assigned the responsibility for monitoring compliance with this requirement.

EFFECTIVENESS AND EFFICIENCY IN PREPARING AND SERVING MEALS

COMMENT

Audit Objective: To assess the Center's effectiveness and efficiency in preparing meals and in serving meals to its patients.

Conclusion: We concluded that the Center was generally effective and efficient in preparing meals and in serving meals to its patients. Our report does not include any reportable conditions related to this audit objective.

GLOSSARY

Glossary of Acronyms and Terms

DCH	Department of Community Health.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical with the minimum amount of resources.
JCAHO	Joint Commission on the Accreditation of Healthcare Organizations.
Medicaid	A State government-operated health care program for the medically needy funded by State money and federal matching money.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
remittance advice report	A report, prepared by DCH's Medical Services Administration, that indicates the status of all a provider's claims received by DCH.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

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