



**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**

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**Department of Human Services  
Division of Aging Services  
Selected Community Based Senior Programs**

July 1, 2011 to June 30, 2014

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**Stephen M. Eells  
State Auditor**



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OFFICE OF THE STATE AUDITOR  
(609) 847-3470  
FAX (609) 633-0834

STEPHEN M. EELLS  
*State Auditor*

GREGORY PICA  
*Assistant State Auditor*

JOHN J. TERMYNA  
*Assistant State Auditor*

New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR  
125 SOUTH WARREN STREET  
PO BOX 067  
TRENTON NJ 08625-0067

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ALBERT PORRONI  
*Executive Director*  
(609) 847-3901

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Enclosed is our report on the audit of the Department of Human Services, Division of Aging Services, Selected Community Based Senior Programs for the period of July 1, 2011 to June 30, 2014. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells". The signature is fluid and cursive, with a large initial "S" and "M".

Stephen M. Eells  
State Auditor  
January 6, 2015

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## *Scope*

We have completed an audit of selected community based senior programs within the Department of Human Services, Division of Aging Services. These programs included the Global Options, Program of All-Inclusive Care for the Elderly, and Jersey Assistance for Community Caregiving programs for the period of July 1, 2011 to June 30, 2014. Our audit included financial activities accounted for in the state's General Fund. The programs are funded by the state and federal government and the Casino Revenue Fund. The prime responsibility of these programs is to provide a variety of community based care services to elderly residents to avoid unnecessary institutional placement. Average annual expenditures of these programs were \$232 million during our audit period.

## *Objectives*

The objectives of our audit were to determine whether financial transactions were related to the programs, were reasonable, and were recorded properly in the accounting systems.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

## *Methodology*

Our audit was conducted in accordance with *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 our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the division. Provisions that we considered significant were documented and compliance with those requirements were verified by interview, observation, and through our samples of financial transactions. We read the budget messages, reviewed financial trends, and interviewed division personnel to obtain an understanding of the programs and internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions on our audit objectives, as well as internal control and compliance. Transactions were judgmentally selected for testing.

## *Conclusions*

We found that financial transactions included in our testing were related to the programs, were reasonable, and were properly recorded in the accounting systems. In making this determination, we noted certain internal control and monitoring weaknesses meriting management's attention.

## Global Options

### *Cost Validation*

**The division is not validating costs.**

Global Options (GO) is a Medicaid Waiver Program designed to assist applicants 65 or older, or between 21 and 64 who are physically disabled, receive the necessary services to keep them living independently in the community instead of a nursing facility. GO is designed to supplement the assistance already being provided by family and friends by providing a flexible package of services (see chart below).

### GO Expenditures

<u>Service</u>	<u>Fiscal Year 2012</u>	<u>%</u>	<u>Fiscal Year 2013</u>	<u>%</u>
Home Care Services	\$ 93,840,001	53.2%	\$ 102,749,663	54.4%
Assisted Living	\$ 66,118,358	37.5%	\$ 66,233,200	35.1%
Care Management Fees	\$ 8,669,773	4.9%	\$ 10,541,419	5.6%
Home Delivered Meals	\$ 2,495,908	1.4%	\$ 3,502,258	1.9%
Special Medical Equipment	\$ 1,550,710	0.9%	\$ 1,512,826	0.8%
Personal Emergency Response System	\$ 1,145,899	0.6%	\$ 1,377,773	0.7%
Respite	\$ 720,119	0.4%	\$ 908,015	0.5%
Other Waiver Services	\$ 1,874,109	1.1%	\$ 1,978,590	1.0%
<b>Total Global Options Claim Expenditures</b>	<b>\$ 176,414,877</b>	<b>100.0%</b>	<b>\$ 188,803,744</b>	<b>100.0%</b>

To allow for optimal community based care alternatives, the GO program allows non-traditional Medicaid providers to perform GO services, along with traditional Medicaid providers. GO services are set up and monitored by county care managers, with the division providing oversight. Non-traditional providers are not authorized to submit claims through the traditional Medicaid claims system, the Medicaid Management Information System (MMIS). These providers must submit claims to a separate state contracted third-party billing agent.

The division has a Home Community Based System (HCBS) in place which allows care managers to input recipient-provider billing information into an Individual Service Agreement (ISA). The ISA authorizes a provider to perform a specific service for a recipient and also sets monthly billing limits to prevent providers from overbilling for services. The ISA is not being used to monitor the traditional Medicaid provider bills.

The division has the system resources in place to ensure providers are not paid more than pre-authorized amounts set by county care managers, but failed to formally set up the review procedures. This same ISA is being used to monitor non-traditional Medicaid provider bills by the third-party billing agent.

For fiscal years 2012 and 2013, approximately 90 percent of \$365 million GO claim expenditures were traditional Medicaid provider bills paid without verifying provider service authorization and billing limitations set forth by county care managers per the ISA. Additionally, the division does not verify if the third-party billing agent is using this ISA correctly for the remaining GO claim expenditures for the non-traditional provider bills. We also were not able to obtain a reliable ISA data extract to verify that the billing limitation control in place at the third-party billing agent is functioning properly.

### **Recommendation**

Although the division has moved the GO program to Managed Care Organizations as of July 1, 2014, they should monitor encounter data to control cost and ensure effectiveness of the program. We also recommend the division verify the third-party billing agent is using the ISA to verify provider bills.

### ***Reconciliation***

#### **The division does not reconcile the MMIS to the state's accounting system.**

The division does not reconcile GO claim expenditures to the state's accounting system. The New Jersey Medicaid Management Information System (MMIS) is utilized to process and pay GO claims for traditional Medicaid providers, which is maintained and operated by a state fiscal agent. The division reimburses the state fiscal agent on a weekly basis for paid GO claims. During our audit, we attempted to reconcile the state's accounting system with claims submitted for fiscal years 2012 and 2013 on the MMIS. The claims recorded on the MMIS were \$17.3 million and \$32.8 million higher than expenditure payments for GO on New Jersey Comprehensive Financial System (NJCFIS). We confirmed with the Department of Human Services that the state's accounting system expenditure amounts for GO were correct but a request to the state fiscal agent to investigate further was not successful in identifying the source of the discrepancy. In addition, for fiscal year 2013 we noted \$77.5 million of the \$263.4 million of total GO account expenditures were for nursing home claim expenditures for recipients that had permanently transferred into nursing homes, contrary to the objective of the program.

### **Recommendation**

We recommend the division meet with the state fiscal billing agent to determine the cause of the discrepancy between the NJCFIS and the MMIS for GO claims, as well as develop procedures to reconcile these accounts annually. In addition, GO recipients should be removed from the program when they permanently transfer to nursing homes so expenditures are paid out of the proper account.

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## Program of All-Inclusive Care for the Elderly

### **The division should collect encounter data and encourage enrollment into Medicare.**

The Program of All-Inclusive Care for the Elderly (PACE) provides comprehensive medical care for frail individuals age 55 and older. Annual PACE expenditures for the audit period averaged \$36 million. PACE facilities receive a fixed monthly capitated rate for each recipient in the program. The rate is set annually by the division and is based on long-term care cost studies. During our analysis of this program we noted some internal control weaknesses and opportunities for improvement.

- The division does not require PACE providers to present encounter data (claim expenditure detail) for recipients. The lack of encounter data makes it difficult for the division to assess the effectiveness of the program and the equitableness of the monthly capitated rate.
- The division is billed a reduced monthly rate for PACE recipients that qualify for both Medicare and Medicaid. The rates for fiscal years 2012 and 2013 were \$4,809.95 for Medicare and Medicaid recipients and \$6,095.57 for Medicaid only recipients. The division does not notify PACE participants to apply for Medicare when they reach the qualifying age of 65. For fiscal years 2012 and 2013, we identified 336 claims where cost savings of \$432,000 may have been obtained because the recipients were over 65 and had not been enrolled in Medicare.

### **Recommendation**

We recommend the division collect encounter data to analyze program effectiveness and cost. We also recommend the division request recipients to apply for Medicare when they reach the age of 65.



## Jersey Assistance for Community Caregiving

### **The division needs to improve program expenditure monitoring.**

The Jersey Assistance for Community Caregiving (JACC) program is a state funded program for non-Medicaid recipients 60 years and older that provides an array of services for those at risk of nursing facility placement. Annual JACC expenditures for the audit period averaged \$9.2 million. Care managers at the local county level are provided with an annual budget and assign services based on clinical needs of eligible program recipients. Care managers are required to input Individual Service Agreement (ISA) data in the Home Community Based Services System (HCBS), which authorizes the provider to provide services and sets billing limitations. The division relies on its third-party billing agent to ensure claim expenditures do not exceed amounts specified in the ISA. The division does not verify if the third-party billing agent is using this ISA data correctly for JACC provider bills.

The third-party billing agent contract states that they shall be reimbursed for payments they made to JACC providers each month. The contract specifically prohibits advance payments to the billing agent. However, the division made advances in fiscal years 2012 and 2013 totaling \$3.3 million. Although it appears a portion of the advances was applied to subsequent monthly billings, no supporting documentation to justify the amounts was provided.

### **Recommendation**

We recommend the division verify the third-party billing agent is using the ISA to verify provider bills. In addition, the division should discontinue the use of advances to the billing agent.

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**State of New Jersey**  
DEPARTMENT OF HUMAN SERVICES  
PO Box 700

TRENTON NJ 08625-0700

December 18, 2014

CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

JENNIFER VELEZ  
*Commissioner*

John J. Termyna, Assistant State Auditor  
Office of Legislative Services  
Office of the State Auditor  
PO Box 67  
Trenton, NJ 08625-0067

Re: Department of Human Services  
Division of Aging Services (DoAS)  
Selected Community Based Senior Programs

Dear Mr. Termyna:

This letter is in response to your Agency's audit of the Department of Human Services, Division of Aging Services (DoAS), Selected Community Based Senior Programs for the period July 1, 2011 to June 30, 2014.

DoAS has reviewed the finding and recommendations in the Office of the State Auditor's report on the Global Option (GO) program, the Jersey Assistance for Community Caregiving (JACC) and the Program of all-Inclusive Care for the Elderly (PACE).

Your OLS audit recommendations and DoAS' comments are as follows:

**Global Options (GO)**

**OLS Recommendation:** Although the Division has moved the GO program to Managed Care Organizations as of July 1, 2014, they should monitor encounter data to control costs and ensure effectiveness of the program. We also recommend the division verify the third party billing agent is using ISA to verify provider bills.

**DoAS Comment:** As stated in the report, the GO waiver program was consolidated with the three waiver programs under the Division of Disability Services into the Managed Long Term Services and Supports (MLTSS), an 1115 demonstration waiver on July 1, 2014. With MLTSS in place it is no longer necessary to verify billing by using the individual service agreements (ISA). In addition, under MLTSS, the Managed Care Organizations (MCO) are responsible for verifying provider billings.

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### **Reconciliation**

**OLS Recommendation:** We recommend the division meet with the state fiscal billing agent to determine the cause of the discrepancy between the New Jersey Comprehensive Financial System (NJCFIS) and the Medicaid Management Information System (MMIS) for GO claims, as well as develop procedures to reconcile these accounts annually. In addition GO recipients should be transferred off the program when they permanently transfer to nursing homes so expenditures are paid out of the proper account.

**DoAS Comment:** DoAS concurs with the recommendation to establish protocols to monitor encounter data to control cost, overall effectiveness of the MLTSS program and reconcile NJCFIS and MMIS accounts. DoAS has partnered with the Division of Medical Assistance and Health Services (DMAHS) to closely monitor the cost effectiveness of the transition to managed care. In addition, the Department has developed and put into place quality performance measures to ensure MLTSS program participants are receiving appropriate care based on their health care and long term service needs. With regards to the transfer of recipients off the program when they transfer to nursing homes, MLTSS is a comprehensive program which includes both home and community-based services (HCBS) and nursing homes. These services are combined into a MLTSS line item so that expenditures are paid out of one account. Therefore OLS' concern about recipients' expenditures being paid out of the proper account is no longer an issue.

### **Program for All-Inclusive Care for the Elderly (PACE)**

**OLS Recommendation:** We recommend the division collect encounter data to analyze program effectiveness and cost. We also recommend the division request recipients to apply for Medicare when they reach age of 65.

**DoAS Comment:** Under federal requirements PACE programs are required to submit data to the Centers for Medicare and Medicaid (CMS), but not to the states. In an effort to compare PACE outcomes with MLTSS, DHS is developing specific performance measures that are similar to the MCO's. Receiving encounter data from the PACE providers will facilitate the Division's efforts in analyzing and comparing the cost and program effectiveness to MLTSS. In addition, as part of the overall evaluation of the Department's 1115 waiver, the Rutgers' Center for State Health Policy will be evaluating the cost and program effectiveness of PACE to MLTSS. With regards to program recipients applying for Medicare, PACE is a federal Medicare program and all federal requirements are followed by the PACE programs. DoAS is investigating the possibility of having Molina track birthdates of PACE members and sending reminders to their PACE Provider that the member is now eligible for Medicare.

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**Jersey Assistance for Community Caregiving (JACC)**

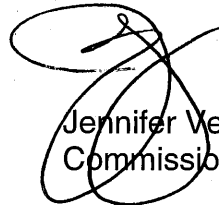
**OLS Recommendation:** We recommend the division verify the third-party billing agent is using ISA to verify provider bills. In addition, the division should discontinue the use of advances to the billing agent.

**DoAS Comment:** The Division concurs with the recommendation to verify that the third-party billing agent is correctly verifying ISA's in order to process provider bills for the JACC program. As of July 1, 2014, DoAS discontinued advance funding to the billing agent.

Questions or comments concerning this matter may be directed to Nancy Day, Director, Division of Aging Services (DoAS) by calling (609) 588-6562 or emailing [Nancy.Day@dhs.state.nj.us](mailto:Nancy.Day@dhs.state.nj.us).

Thank you for your consideration in this matter.

Sincerely,



Jennifer Velez, Esq.  
Commissioner

Cc: Lowell Arye  
Nancy Day  
William Cutti  
Mark Talbot