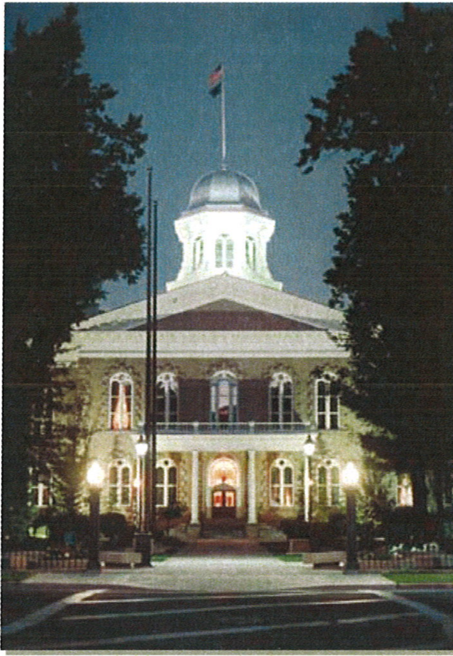

State of Nevada
Department of Administration
Division of Internal Audits

Audit Report

Department of Health and Human Services
Division of Mental Health and Developmental Services
Lake's Crossing Center
And
Substance Abuse Prevention and Treatment Agency

Report No. 10-01
September 2009

EXECUTIVE SUMMARY
Division of Mental Health and Developmental Services: Lake's Crossing Center and Substance Abuse Prevention and Treatment Agency

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Objective 1: Can Lake's Crossing Center Enhance Billing Revenues?

Bill All Clients for Treatment Services..page 6

Lake's Crossing Center (LCC) should bill all clients, private insurers and others responsible for its clients. This could benefit Nevada by approximately $287,000 annually. LCC does not bill for treatment services although NRS provides authority to do so.

Certify Lake's Crossing Center as a Medicare Approved Facility.................page 7

The Division of Mental Health and Developmental Services (MHDS) should certify LCC as a Medicare approved facility in order to bill Medicare for treatment services and prescription drugs. In order for LCC to bill Medicare, it will have to first, bill all clients and second, become a Medicare-approved facility. LCC estimates it would cost a minimum of $67,000 to achieve final State licensing. Thereafter, MHDS represents it may incur additional costs and take up to three years for LCC to become a Medicare approved facility.

Bill Medicare for Treatment Services...page 7

LCC should bill Medicare for its eligible clients. This could benefit Nevada by $566,000 – $1,006,000 annually. Other states bill Medicare for treatment of clients in facilities similar to LCC. To bill Medicare LCC must be an approved facility and bills all client consistently.

Bill Medicare for Prescription Drugs... page 7

LCC should bill Medicare immediately for prescription drugs. This could benefit Nevada by $25,000 – $44,000 annually. Medicare will reimburse the State for prescription drugs without LCC being a certified Medicare approved facility. The Medicare Modernization, Improvement, and Prescription Drug Act of 2003 provides prescription drug coverage to qualified Medicare beneficiaries.

Evaluate Staffing Requirements to Administer Billings.............................. page 8

Consultations with LCC management indicate an additional staff member, an Accounting Technician II, may be necessary to administer the new billing procedures. The cost for the new staff member is approximately $67,000.

Evaluate Fee Structure to Cover Costs and Charge Counties Consistently..........page 9

LCC should determine what its costs are for performing pre-commitment evaluations for rural counties and Washoe County then set its fees accordingly. Pre-commitment evaluations help the courts determine if an individual is competent to stand trial. If the individual is deemed incompetent to stand trial, they are sent to LCC for treatment. LCC charges various rates for evaluations, but has not determined if the existing fees cover its costs.

Bill Clark County for Challenges to Competency Evaluations and Expert Testimony..........page 10

LCC should bill Clark County for challenges to competency evaluations and expert testimony. This could benefit Nevada by about $28,500 annually. LCC bills rural counties and Washoe County for these services at an hourly rate but does not bill Clark County. Clark County believes NRS requires the State to assist the courts. However, NRS allows LCC to establish and collect fees for that assistance.

Coordinate with the Division of Internal Audits' Financial Management Section in Developing and Implementing Billing Policies and Procedures..........page 10

LCC should coordinate with the Division of Internal Audits to develop and implement billing policies and procedures to help ensure an approved process is in place to accurately bill. NRS calls for each agency to develop written policies and procedures to carry out the system of internal accounting and administrative controls. LCC does not have billing policies and procedures in place.

Objective 2: Can the Substance Abuse Prevention and Treatment Agency Enhance Benefits?

Adopt a Performance-based or Fee-for-Service Reimbursement Methodology..........page 12

The Substance Abuse Prevention and Treatment Agency (SAPTA) should adopt a new reimbursement methodology. This would enhance its ability to more effectively manage substance abuse treatment funds, which could benefit Nevada by at least $300,000 annually. SAPTA grants funds to about 20 providers to perform various substance abuse treatments. The current cost reimbursement process does not hold providers accountable for contracted services. SAPTA reimburses providers for the actual costs they incur, but these costs do not directly relate to services provided. A performance-based or fee-for-service reimbursement would directly link payments to services provided. Other states represent these alternative reimbursement methods improved efficiency and quality of treatment services.

Require Providers to Report Services Specifically Paid for with SAPTA Funds .... page 14

SAPTA should require providers to report services funded by the grant (federal and State funds) to determine if providers are meeting the terms of the grant. Providers, in general, have multiple sources of funding for treatment services but are only required to report the total number of treatment services they complete, regardless of funding. Consequently, provider reports do not break out what revenue sources paid for what treatments. As a result, SAPTA is unable to determine how its funds are being spent.

Evaluate Eliminating the Incentive Program .... page 15

SAPTA should evaluate eliminating its provider incentive program, which could free up $700,000 in provider bonuses for treatments elsewhere. The bonuses will be paid to providers that ensure clients receive a minimum 90-day treatment program and required data is reported to SAPTA. Our review shows the grants already require providers to meet both of these objectives and give SAPTA authority to withhold payments.

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Division of Mental Health and Developmental Services' Response and Implementation Plan

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Timetable for Implementing Audit Recommendations

INTRODUCTION

At the direction of the Executive Branch Audit Committee, we conducted an audit of the Division of Mental Health and Developmental Services (Division). Our audit addressed the following four questions:

- ✓ What is the Division's role?
- ✓ What services must the Division provide?
- ✓ Is the State the proper level of government to provide these services?
- ✓ If State government is the appropriate level of government, is the Division carrying out its duties efficiently and effectively?

Our audit focused on whether the Division can enhance Lake's Crossing Center's (LCC) billing revenues and treatment benefits at the Substance Abuse Prevention and Treatment Agency (SAPTA).

Division's Role and Public Purpose

The Division, within the Department of Health and Human Services, operates programs throughout the State to assist individuals with mental illness, developmental disabilities, and substance abuse. The Division oversees eight agencies. For fiscal year 2010, the Division's budget is $346 million with the equivalent of 1,725 full-time employees. See Exhibits I and II below for a summary of the Division's budget and organizational structure.

Exhibit I

Division of Mental Health and Developmental Services Budget

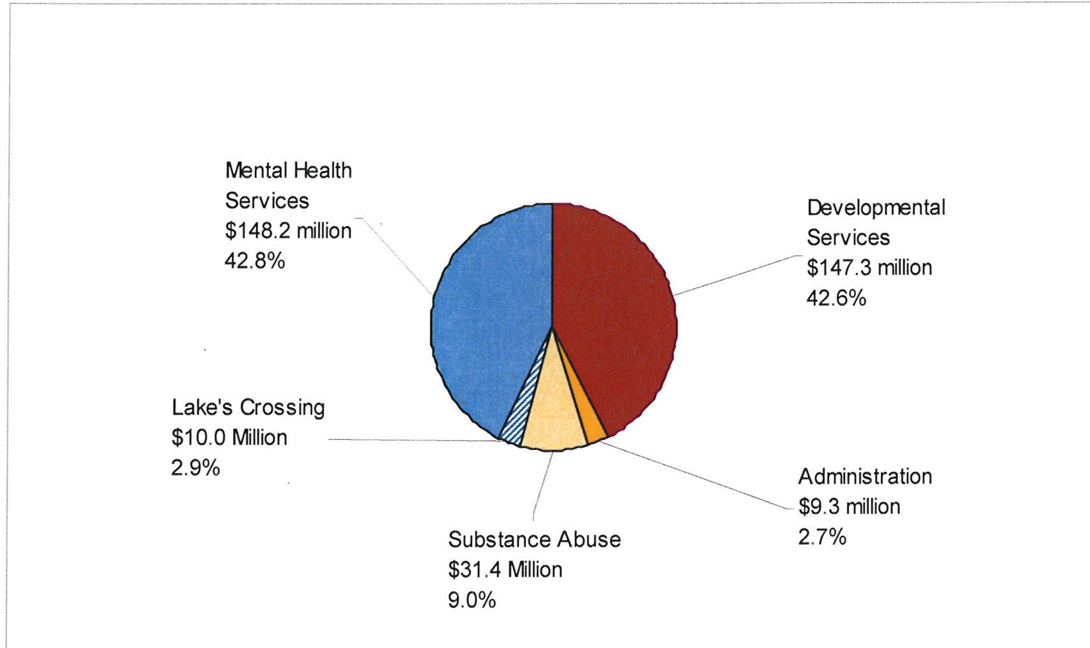
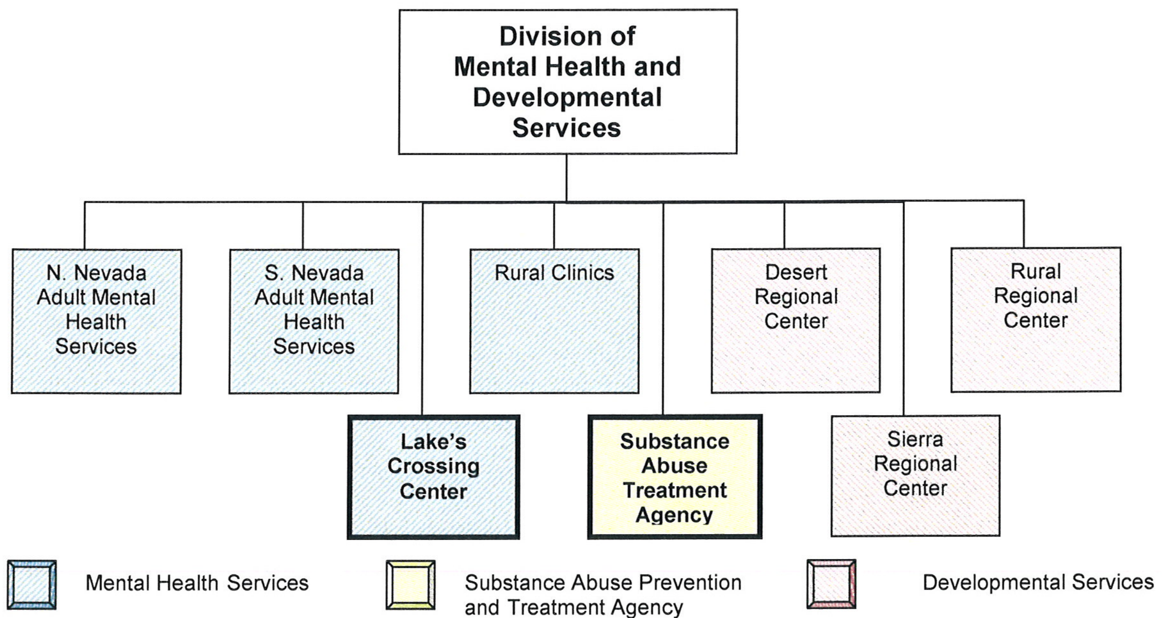


Exhibit II

Division of Mental Health and Developmental Services Organization



Lake's Crossing Center

Lake's Crossing Center (LCC) is a secured, mental health facility in Reno that evaluates, treats, and confines mentally disordered individuals charged with a crime (clients). The courts refer clients who are not mentally competent to LCC for treatment. These clients are treated to restore mental competency and then they are returned to the courts for trial.

LCC is a 70-bed facility that serves the dual purpose of providing mental health treatment and safeguarding the public. LCC treated 160 clients in 2008 and 214 clients in 2009; the average length of stay is four months. Clients are treated for mental illness and, when necessary, other medical conditions.

LCC has a budget of approximately $10 million for fiscal year 2010 with the equivalent of 114 full-time positions. State general funds make up 97 percent of the agency's total budget, and 3 percent is from fees.

Substance Abuse Prevention and Treatment Agency

The Substance Abuse Prevention and Treatment Agency (SAPTA) administers the State's substance abuse programs. Programs include prevention, early intervention, treatment, and recovery support. SAPTA's responsibilities include coordinating and funding organizations that provide substance abuse prevention and treatment.

For fiscal year 2010, SAPTA has a $31.4 million budget, with the equivalent of 29.5 full-time positions. Federal funds make up 63 percent of the agency's total budget and 37 percent is from State funds.

The State is the proper level of government to provide secure mental health treatment and statewide substance abuse services. LCC provides a central location with consistent treatments and evaluations for the courts to rely upon. The federal government delegates administration of substance abuse programs to the states.

Scope and Objectives

We began the audit work in January 2009. In the course of our audit, we reviewed LCC's and SAPTA's programs, federal grants, budgets, records, reports, and billing practices. We interviewed management and staff from the Division, LCC, SAPTA and the Divisions of Welfare and Health Care Financing and Policy. We also interviewed staff from Washoe and Clark counties, district courts, and substance abuse treatment providers. We surveyed other states including Arizona, Delaware, Florida, Iowa, New Mexico, Oregon, Texas, and Washington. Additionally, we reviewed applicable state and federal laws. We concluded field work and testing in July 2009.

Our audit focused on the following objectives:

- ✓ Can Lake's Crossing Center enhance billing revenues?
- ✓ Can the Substance Abuse Prevention and Treatment Agency enhance benefits?

The Division of Internal Audits expresses appreciation to the Division's management and staff for their cooperation and assistance throughout the audit.

Contributors to this report included:

Warren Lowman
Executive Branch Auditor

Joyce Garrett, MBA
Executive Branch Auditor

Dennis Stoddard, MBA
Executive Branch Auditor

Division of Mental Health and Developmental Services Response and Implementation Plan

We provided draft copies of this report to Division of Mental Health and Developmental Services officials for their review and comments. The Division's comments have been considered in the preparation of this report and are included in Appendix A. In its response, the Division accepted each of the recommendations we made. Appendix B includes the Division's timetable to implement our recommendations.

NRS 353A.090 specifies within six months after the Executive Branch Audit Committee releases the final audit report, the Chief of the Division of Internal Audits shall evaluate the steps the Division of Mental Health and Developmental Services has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The Chief shall report the six month follow-up results to the Committee, Department of Health and Human Services, and Division of Mental Health and Developmental Services officials.

The following report contains our findings, conclusions, and recommendations.

Can Lake's Crossing Center Enhance Billing Revenues?

Lake's Crossing Center (LCC) can increase revenues by enhancing its billing process. This could benefit the State by $744,000 – $1,203,000 annually.

LCC is a maximum security, mental health facility which provides statewide services to mentally disordered clients. The courts refer individuals charged with a crime who are not mentally competent to LCC for treatment. These clients are hospitalized and confined at LCC. Clients undergo treatment to be restored to mental competency and then returned to the courts for trial. LCC staff provide:

- Treatment services for clients – Treatment services include care, diagnosis, and medical treatment of mental illness.
- Evaluation services for courts – Evaluation services include evaluations of the offender's mental competency and reports to the courts on their ability to stand trial.[1]

LCC is primarily funded by the State; however, NRS allows LCC to bill for its services. Currently, LCC is not billing for treatment services and is only partially billing counties for evaluation services. LCC can enhance the billing process by:

- Billing for treatment services.
- Billing counties consistently.
- Establishing policies and procedures for its billing process.

Bill for Treatment Services

LCC should bill for treatment services, including prescription drugs. This could benefit the State by $744,000 – $1,203,000 annually.

Bill All Clients

LCC does not bill for treatment services. Per NRS, LCC could bill all clients, private insurers and others responsible for clients.[2] LCC should bill these parties

[1] NRS 178.400 specifies an incompetent person cannot be tried or punished for a public offense. An offender is incompetent if they do not understand the nature of the criminal charges against them; do not understand the nature and purpose of the court proceedings; or can not aid and assist their counsel in their defense at any time during the proceedings with a reasonable degree of rational understanding.

[2] NRS 433A.640 allows LCC to determine the offender's ability to pay, identify the responsible entity to pay, and seek payment for treatment services.

for treatment services. We estimate Nevada could increase its revenues by approximately $287,000 per year.[3]

Bill Medicare

LCC does not bill Medicare for treatment services. Medicare is a federal health insurance program for people 65 years or older and people with certain disabilities, such as mental health disabilities. Medicare's health plan covers costs incurred for hospitalization, medical treatment, and prescription drugs.

Our audit revealed Medicare reimburses other states for treatment of mentally disordered clients.[4] For example, Medicare has reimbursed Washington State for treatment services since the late 1980s.

To obtain Medicare reimbursement, LCC would have to first bill its clients.[5] Once it is determined that the client, private insurance, or the responsible adult can not pay, Medicare may cover the costs. Based on our review, we estimate Nevada could increase revenues by $566,000 – $1,006,000 a year once Medicare billing is established.[6]

Additionally, to obtain Medicare, LCC must become a Medicare approved facility. LCC estimates it would cost a minimum of $67,000 for fire safety upgrades to achieve final State licensing. Thereafter, MHDS represents it may incur additional costs and could take up to five years for LCC to become a Medicare approved facility.

Bill for Prescription Drugs

LCC does not seek reimbursement from Medicare for drugs used in the treatment of clients. The Medicare Modernization, Improvement, and Prescription Drug Act of 2003 provides prescription drug coverage to qualified Medicare beneficiaries. Medicare will reimburse the State for prescription drugs without the aforementioned requirements for treatment services. Therefore, LCC can bill Medicare immediately for prescription drugs. Based on our review of Arizona's

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[3] We calculated our estimate based on Washington State's reimbursement history. Private insurers reimbursed 1 percent and clients reimbursed 2 percent of costs. Washington's facility is managed similarly to LCC.

[4] We sampled 20 states and found about 30 percent bill Medicare for mentally disordered clients being held in secure facilities.

[5] Per 42CFR 411.4(b), Medicare will reimburse mental health facilities for clients in their custody if the State bills and attempts to collect payments from all clients.

[6] These estimates are based on the annual costs LCC incurs relative to Medicare clients, less deductibles. The number of Medicare clients was based on how many the State of Washington treats, an estimate by LCC, and the US census.

experience, we estimate Nevada could increase revenues by $25,000 – $44,000 a year by billing Medicare for prescription drug costs.[7]

Benefits to State

Consultations with LCC management indicate an additional staff member may be necessary to administer the new billing procedures, including billing clients and Medicare. The cost for the new staff member, an Accounting Technician II, is approximately $67,000 annually. LCC should evaluate staffing requirements.

We estimate the net benefit to the State of our recommendations is approximately $744,000 – $1,203,000 annually. Exhibit III summarizes the costs and benefits of billing for treatment services.

Exhibit III

Estimated Net Benefit

Description	Benefit /(Cost)
Bill all clients	287,000
Bill Medicare for treatment services	566,000 – 1,006,000
Cost for infrastructure / State license	(67,000)
Bill Medicare for prescription drugs	25,000 – 44,000
Cost of additional staff	(67,000)
Net Benefit	**$744,000 – $1,203,000**

Recommendations

1. Bill all clients for treatment services.
2. Certify LCC as a Medicare approved facility.
3. Bill Medicare for treatment services.
4. Bill Medicare for prescription drugs.
5. Evaluate staffing requirements to administer billings.

[7] These estimates are based on the annual costs Nevada incurs relative to Medicare clients, less deductibles. The number of Medicare clients was based on how many the State of Washington treats, an estimate by LCC, and the US census.

Bill Counties Consistently

LCC should establish consistent fees and bill all counties for evaluations. By billing all counties, the State could enhance revenues by about $28,500 annually.

LCC charges fees for its evaluation services and expert testimony. LCC's role includes the following:

- Criminal Offense – Individual is charged with a crime who may not be mentally competent to stand trial. Court orders a Pre-commitment Evaluation of the individual's mental competency.
- Pre-commitment Evaluation – LCC staff or private evaluators assess the mental competency of individuals charged with a crime prior to standing trial. The court then uses the evaluation to determine the individual's competence or incompetence to stand trial.
- Courts send clients to LCC – Courts send individuals found not competent to stand trial to LCC for treatment to restore competency. When it is determined competency is restored, the individual (client) is returned to court for trial.
- Challenges to Competency Evaluation – Attorneys may challenge LCC competency evaluation after treatment before the client's trial begins. LCC staff defends its evaluation.
- Court – Client stands trial.
- Expert Testimony – LCC staff may be called to provide expert testimony on the client's competency or related issues during trial.

Establish Consistent Evaluation Fees

LCC performs pre-commitment competency evaluations for rural counties and Washoe County.[8] LCC charges various rates for evaluations, ranging from $175 up to $440. LCC does not perform evaluations for Clark County. Alternatively, Clark County uses private evaluators and pays a standard rate of $350.

LCC has not determined if the existing fees cover its costs of performing the pre-commitment evaluations. In fiscal year 2008, LCC received just over $300,000 for pre-commitment evaluations. LCC should determine what its costs are and set its fees accordingly.

Recommendation

6. Evaluate fee structure to cover costs and charge counties consistently.

[8] Rural Counties include all Nevada counties except for Washoe and Clark Counties.

Bill All Counties

LCC bills rural counties and Washoe County for challenges and testimonies at an hourly billing rate. However, LCC does not bill Clark County. Clark County believes NRS 433A.250(1) requires the State to assist the courts. However, NRS 433A.250(3) and 433.414 allows LCC to establish and collect fees for that assistance. The Deputy Attorney General provided a memorandum to LCC indicating it could bill counties for testimony during challenges to competency evaluations and trials.

If LCC billed Clark County, we estimate it would enhance revenues by about $28,500 annually.[9]

Recommendation

7. Bill Clark County for challenges to competency evaluations and expert testimony.

Establish Policies and Procedures

Our audit revealed LCC does not have documented billing policies and procedures. NRS calls for each agency to develop written policies and procedures to carry out the system of internal accounting and administrative controls.[10] Billing policies and procedures will help ensure an approved process is in place to accurately bill. LCC should coordinate with the Division of Internal Audits' Financial Management Section in developing its policies and procedures.

Recommendation

8. Coordinate with the Division of Internal Audits' Financial Management Section in developing and implementing billing policies and procedures.

[9] We first determined the number of evaluations that might be challenged based on estimates by the counties' public defenders. We then took this amount and applied the time LCC staff would need to testify and the hourly rate when they bill to compute the potential enhanced revenue.
[10] NRS 353A.020.3.

Can the Substance Abuse Prevention and Treatment Agency Enhance Benefits?

The Substance Abuse Prevention and Treatment Agency (SAPTA) may be able to increase treatment services at no additional cost, which could benefit the State by approximately $1 million annually.

SAPTA administers the State's substance abuse programs. Its responsibilities include:

- Coordinating state and federal funding.
- Approving funding for providers of substance abuse services.
- Providing regulatory oversight of providers.
- Certifying prevention and treatment programs.

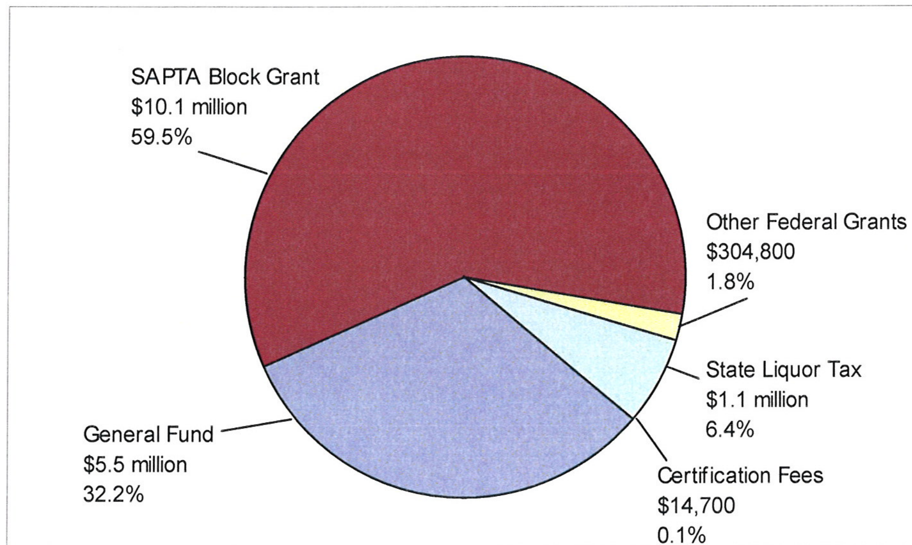
NRS requires SAPTA to establish substance abuse programs throughout the State.[11] However, SAPTA does not provide any direct prevention or treatment services. These services are contracted to non-profit organizations and funded mostly by a federal block grant and State funds. The federal block grant is monies provided by the U.S. Department of Health and Human Services specifically designated for substance abuse prevention and treatment. Nevada also provides funds from the State General Fund and the State Liquor Tax for prevention and treatment programs.

For the purposes of this audit, we focused on federal and State funds specifically designated for treatment programs. See Exhibit IV for a summary of SAPTA's funding sources for substance abuse treatment.

[11] NRS 458.025

Exhibit IV

SAPTA's Treatment Services Revenue Sources



Increased Services without Increased Costs

We identified three areas which may increase substance abuse treatment without increasing State costs:

- Adopting a new provider reimbursement methodology.
- Enhancing provider reporting requirements.
- Evaluating eliminating SAPTA's provider incentive program.

Adopt New Reimbursement Methodology

SAPTA should adopt a new method to reimburse providers for treatment services. This could benefit the State by at least $300,000 annually.

SAPTA grants funds to about 20 providers to perform various substance abuse treatments. The grant terms include the services that will be provided and the grant amount awarded to the providers:

- Services Provided – Services include evaluations, counseling, residential, and other treatments. The grant specifies the amount of treatment services the provider will perform annually. The grant also requires providers to submit monthly reports to SAPTA identifying the number and type of services completed. The grant allows SAPTA to withhold

payments if the provider does not meet the specified number of treatments.

- Grant award – SAPTA reimburses providers for their costs (cost-based reimbursement). SAPTA and providers agree on an annual budget based on estimated operating costs. Costs include specific treatments and administrative overhead. As the provider incurs costs, SAPTA reimburses the provider.

The current cost reimbursement process does not hold providers accountable for contracted services. Consequently, SAPTA may be paying for services not provided. SAPTA reimburses providers for the actual costs they incur. These costs do not directly relate to services provided. For example, in fiscal year 2008, SAPTA reimbursed providers 97 percent of the total grant funds but only received 95 percent of the contracted services. Exhibit V shows reimbursements with lower levels of services provided for selected providers.

Exhibit V

Fiscal Year 2008 SAPTA Reimbursement Payment vs. Service Contrast

	Amount Paid	Percent Funding Received	Percent Services Provided
Provider A	$ 350,000	100	81
Provider C	$ 950,000	100	72
Provider E (grant #2)	$ 335,000	67	18
Provider N	$ 655,000	100	68
Provider V	$1,173,000	92	65

Our review shows SAPTA paid at least $300,000 for treatment services that may not have been provided.[12]

We surveyed four states and found that none used a cost reimbursement methodology; three used fee-for-service and one used performance-based reimbursement.[13] State staff represent they used these methods to improve efficiency and quality of treatment services.

- Fee-for-service reimbursement – States pay providers for specific units of treatment, such as a counseling session, detoxification, and methadone treatment. These unit costs include the costs of operations and administrative overhead. Providers are paid based on the number of units

[12] In fiscal year 2008 SAPTA reimbursed approximately $15 million of its $15.5 million budget, or 97 percent, for treatment services. SAPTA contracted for a little over 342,000 treatment units and received just fewer than 327,000 treatment units, or 95 percent. The 2 percent difference is equal to $310,000.

[13] Delaware, Florida, Oregon, and Texas.

they complete. This creates a direct relationship between services provided and reimbursements.

- Performance-based reimbursement – States pay providers based on a fee-for-service methodology with an additional requirement to meet performance criteria. For example, Delaware has established performance criteria, such as program utilization and tracking treatment participation over a 180-day period. Providers must meet these additional criteria to receive their full reimbursement. If providers do not meet all the criteria, they are reimbursed proportionally. This not only creates a direct relationship between services provided and reimbursements, it also measures the quality of treatment services.

SAPTA should adopt either a fee-for-service or performance-based reimbursement methodology. This would enhance its ability to more effectively manage substance abuse treatment funds.

Enhance Provider Reporting

SAPTA should require providers to report services funded by the grant (federal and State funds). This would allow SAPTA to determine if providers are meeting the terms of the grant.

Providers, in general, have multiple sources of funding for treatment services. Currently, providers are only required to report the total number of treatment services they complete, regardless of the funding source. Consequently, provider reports do not break out what revenue sources paid for what treatments. Therefore, SAPTA is unable to determine how its funds are being spent. For example, Exhibit VI shows reimbursements with higher levels of services provided for selected providers.

Exhibit VI

Fiscal Year 2008 SAPTA Reimbursement Payment vs. Service Contrast

	Amount Paid	Percent Funding Received	Percent Services Provided
Provider B (grant #1)	$ 750,000	100	155
Provider B (grant #2)	$ 43,000	45	64
Provider D	$ 1,172,000	100	144

Recommendations

9. Adopt a performance-based or fee-for-service reimbursement methodology.

10. Require providers to report services specifically paid for with SAPTA funds.

Evaluate Incentive Program

SAPTA should evaluate eliminating its provider incentive program. The incentive funds could be freed up to provide treatments elsewhere, such as to those currently on SAPTA's wait list or applied to other services.

SAPTA has set aside $700,000 to pay bonuses to providers. The bonuses will be paid to providers that ensure clients receive a minimum 90-day treatment program and required data is reported to SAPTA. Our audit revealed the grants already require providers to meet both of these objectives and give SAPTA authority to withhold payments.

Recommendation

11. Evaluate eliminating the incentive program.

Estimated Benefit

We estimate the total benefit to the State of our recommendations could be at least $1 million. These dollars can be applied to other clients waiting for treatment or a portion, approximately one-third of which are State funds, reverted to the General Fund. See Exhibit VII.

Exhibit VII

Estimated Benefit

Recommendation	Freed Up Dollars
Adopt a new reimbursement methodology.	$ 300,000
If incentive program is discontinued.	$ 700,000
Total Estimated Benefit	**$1,000,000**

Appendix A

Division of Mental Health and Developmental Services Response and Implementation Plan

STATE OF NEVADA
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF MENTAL HEALTH AND DEVELOPMENTAL SERVICES
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September 18, 2009

Department of Administration
Attn: Chief William Chisel
Division of Internal Audits
3427 Goni Rd. , Suite 103
Carson City, Nevada 89706

Re: Recommendations of the Executive Audit Committee for Lake's Crossing Center (LCC)

Dear Mr. Chisel:

Response and Implementation Plan from the Division of Mental Health and Developmental Services Regarding Recommendations of the Executive Audit Committee for Lake's Crossing Center (LCC)

Recommendation #1: Bill all clients for treatment services.

I. Presently Lake's Crossing bills clients and if indigent, counties for medical care provided for pre-existing medical conditions. NRS does provide for Division agencies to bill clients, although it does not specifically reference Lake's Crossing. It has always been assumed that billing for services related to restoring a client's competency was not billable because they were court ordered, including medications, treatments required to treat a psychiatric disorder that interferes with the client's ability to stand trial. However, if billing for these services is legal, the agency is prepared to implement a billing procedure and policy.

The recommendation is accepted with the following conditions and caveats. LCC will analyze how its population compares to the states on which these estimates were made. Presently most of our clients are indigent and NRS 433A.620 prohibits exacting payment from individuals or their families if it would cause that person to be a burden to the community when they are released

II. Time to Implementation:

Lake's Crossing will have to develop an internal system to collect the data and provide appropriate treatment documentation to the billing department so that billing may occur. This process will require that the facility's services be programmed into AVATAR, the Division's electronic medical record system. The staff will also require training in how to appropriately record and code this information.

LCC estimates that it will take 12 months to analyze the potential for obtaining reimbursement for this population and to put the system into place to begin billing.

Recommendation #2: Bill Medicare for treatment services

I. This recommendation incorporates recommendation #1 because billing Medicare will require that LCC bill all clients with "due diligence." This recommendation is accepted conditionally due to the following concerns:

LCC will need to become certified by the Centers for Medicaid and Medicare (CMS) before implementing any effort to bill Medicare. This certification will require a number of modifications to LCC's physical plant, clinical and billing staff and to how programming is documented and coded. Provisional licensure with the state will need to be resolved by retooling the fire alarm system. Once that is accomplished LCC will need to meet all the conditions of participation required by CMS before applying to be certified.

MHDS reviewed a sample of 151 clients to determine the percentage of clients admitted with Medicare benefits. Of this sample, 32 or 21% have current Medicare benefits. This would indicate that LCC would be capable of achieving the upper range of the audit estimate if the cost estimates and length of stay estimates are accurate. Further analysis is required, however, to determine what actual services are billable.

II. Time to Implementation:

The time to CMS certification is likely to be at least 5 years. The building modifications including the fire alarm system and possibly other major modifications attached to use of space issues will require CIP's. CIP requests will be included in the FY 2011-2012 agency request budget. If approved, design and construction will extend well into calendar year 2012. That places the initial CMS review into 2013. The agency will also request the necessary additional positions in the FY 2011-2012 budget including positions to complete billing, fiscal intake, additional documentation, utilization review and clinical. These positions must be filled and trained prior to the CMS survey.

Recommendation #3: Bill Medicare Part D for medications.

I. The concerns raised in 1 and 2 regarding Medicare also attaches here. Consequently the projected revenues recovered may be inflated. The biggest difficulty here may be qualifying clients for Medicare. Additionally, the monthly cost for medications per client at LCC is approximately $400 per month so the recovered amounts may be in the thousands of dollars, if that, rather than tens of thousands.

MHDS has had difficulty finding a vendor to manage the Part D program. These difficulties may make implementing this recommendation difficult and may require a substantive change in how medications are acquired and dispensed for Medicare eligible clients. .

II. Time to implementation:

This recommendation would take 12 months to implement since the billing process would need to be put in place. CMS certification is apparently not necessary to bill Medicare Part D, but the facility would need to establish procedures for the fiscal intake and billing with existing staff for this part of the recommendation.

Recommendation # 4: Consistently Bill Counties

I. This recommendation assumes that LCC does not consistently bill all counties. LCC has a fee schedule which provides for billing the counties for pre-commitment evaluations and the evaluations done under the Washoe County Inter-local Agreement.
LCC does not do any pre-commitment evaluations for Clark County. No counties are charged for the reports that are sent to the courts for post-commitment evaluations. The fees for pre-commitment evaluations are as follows:
$170. for competency evaluation of misdemeanants
$350. for competency evaluation of gross misdemeanants and felons
Washoe County reimburses based on a formula used for the Inter-local Agreement that provides 1.51 FTE Licensed Psychologist I. The cost per evaluation in FY08 came to $262.04 for Washoe County based on that formula.
LCC accepts the recommendation that the fee structure be evaluated regarding covering costs and analyzing the benefit of maintaining the agreement with Washoe County.

II. Time to Implementation:

The contract with Washoe County extends out to the next biennium. The cost analysis of fees can be done within 60 days. However, implementation of any major change that includes Washoe County would mean termination of the contract or waiting until it expires. With exception of Washoe County a consistent fee structure can be implemented in 6 months. We recommend that the Interlocal Contract with Washoe County be retained since it benefits the state both in terms of additional staffing and how clients are evaluated.

Recommendation #5: Bill Clark County for expert testimony in Competency Hearings.
I. LCC has not billed Clark County for testimony provided during challenges to findings at a competency hearing at the end of restoration to competency. As previously stated, LCC does not do pre-commitment evaluations for Clark County. It should be noted that LCC has also not billed other counties for testimony if the testimony was associated with the findings at the end of restoration to competency under NRS 178.425. Testimony in the rural counties is uniformly associated with the pre-commitment evaluations for which we charge, unlike the evaluations done post-commitment at LCC.

LCC accepts the recommendation that we charge for testimony associated with post-commitment evaluations. An informal memo from the attorney general's office suggests that this is legally acceptable. The only caveat in this case is that it apply to all 17 counties and not just Clark County.

SAPTA

9. Adopt a performance-based or fee-for-service reimbursement methodology.
SAPTA accepts this recommendation and will continue to research and evaluate the feasibility of adopting some variation of this recommendation. SAPTA will request state Technical Assistance from SAMHSA, Center for Substance Abuse Treatment (CSAT), and collect information from other states. Implementation of this recommendation will require substantial structural changes by SAPTA and its treatment providers. Contracts established through the RFA process extend through June 2012 so implementation would not begin until after that date. The structure adopted may result in a hybrid model of the fee for service and performance based reimbursement methodology and be implemented in phases. Larger providers have the resources available to make these structural changes, but smaller providers, based on estimated client load and/or funding levels, may be exempted from any changes due to lack of resources to initiate a system change of this magnitude.

10. Require providers to report services specifically paid for with SAPTA funds.
SAPTA accepts this recommendation and will evaluate the current reporting system to determine how this can be accomplished. Treatment providers will need to develop a different accounting system and SAPTA's NHIPPS data system will need to be modified. It is estimated that this process may take up to two years to implement.
One exception we have to the report is the statement on page 15 that "...SAPTA is unable to fully account for how federal and State funds under its control are being spent." We accept this statement in that our process doesn't reimburse providers based on units of services but utilizes a cost reimbursement methodology. Necessary processes are in place to provide responsible and effective oversight. Regular extensive program and fiscal monitors and monthly performance utilization reviews are conducted on all providers. Overall, our data indicates for fiscal year 2008 that percent services provided exceeds 100%. Monthly reports addressing the scope of work and capacity are reviewed by the analysts and any concerns are addressed.

11. Evaluate eliminating the incentive program.
SAPTA accepts this recommendation and will evaluate eliminating the provider incentive program that began on July 01, 2009. This program was established by SAPTA due to SAMHSA's trend to move in this direction. It is designed to encourage better outcomes based on client engagement, a 90 day continuum of care, and to increase the quality of client data provided through SAPTA's NHIPPS data system. Increased performance will provide financial

incentives for the treatment programs and quality data for SAPTA's federal reporting requirements. National data shows that a 90 day treatment episode is much more successful for a client than a lesser time period. SAPTA's Treatment Program Operating and Access Standards (POAS), established in 2001 by the SAPTA Advisory Board to promote effective and efficient substance abuse treatment throughout Nevada, states that each treatment episode is no less than 90 days in duration. The performance incentive program was designed to encourage providers to meet this standard.

09/10/09

Sincerely,

Harold Cook
Administrator

CC: Elizabeth Neighbors, Director, LCC
Mike Willden, DHHS
Robin Hager, Budget Division

Appendix B

Timetable for Implementing Audit Recommendations

In consultation with the Division, the Division of Internal Audits categorized the 11 recommendations contained within this report into an implementation time frame of more than six months. The Division should begin taking steps to implement all recommendations as soon as possible. The Division's target completion dates are incorporated from Appendix A.

	Recommendations	Time Frame
1.	Bill all clients for treatment services. (page 8)	Oct 2010
2.	Certify Lake's Crossing Center as a Medicare approved facility. (page 8)	Oct 2014
3.	Bill Medicare for treatment services. (page 8)	Oct 2014
4.	Bill Medicare for prescription drugs. (page 8)	Oct 2010
5.	Evaluate staffing requirements to administer billings. (page 8)	Oct 2010
6.	Evaluate fee structure to cover costs and charge counties consistently. (page 9)	July 2012
7.	Bill Clark County for challenges to competency evaluations and expert testimony. (page 10)	July 2012
8.	Coordinate with the Division of Internal Audits' Financial Management section in developing and implementing billing policies and procedures. (page 10)	July 2012
9.	Adopt a performance-based or fee-for-service reimbursement methodology. (page 15)	July 2012
10.	Require providers to report services specifically paid for with SAPTA funds. (page 15)	Oct 2011
11.	Evaluate eliminating the incentive program. (page 15)	July 2010

The Division of Internal Audits shall evaluate the action taken by the Division of Mental Health and Developmental Services concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Committee and the Division.