



## State of New Jersey

**CHRIS CHRISTIE**  
*Governor*

OFFICE OF THE STATE COMPTROLLER  
MEDICAID FRAUD DIVISION  
P.O. BOX 025  
TRENTON, NJ 08625-0025  
(609) 826-4700

**PHILIP JAMES DEGNAN**  
*State Comptroller*

**KIM GUADAGNO**  
*Lt. Governor*

**JOSH LICHTBLAU**  
*Director*

December 9, 2016

### VIA CERTIFIED AND ELECTRONIC MAIL

Dr. Juan Grana  
President and Executive Director  
SarahCare at Watchung Square, LLC  
103 RT 22 East  
North Plainfield, NJ 07060

RE: Final Audit Report – SarahCare at Watchung Square, LLC (MFD-2015-00938)

Dear Dr. Grana:

As part of its oversight of the Medicaid and New Jersey FamilyCare programs (Medicaid), the New Jersey Office of the State Comptroller, Medicaid Fraud Division (MFD) conducted an audit of claims submitted under SarahCare at Watchung Square, LLC (SarahCare) Medicaid Provider Identification No. [REDACTED] covering the period from July 1, 2011 to August 4, 2016. This Final Audit Report includes MFD's findings and your audit response.

### Executive Summary

The audit entailed a review of anomalous claims, where Adult Day Health Services were billed and paid as both fee for service (FFS) and encounter (ENC) claims. Pursuant to the New Jersey Administrative Code (N.J.A.C.) 10:54-9.1, the New Jersey Medicaid program utilizes the Health Care Financing Administration's Common Procedure Coding System (HCPCS), which follows the American Medical Association's (AMA) Physician's Current Procedural Terminology (CPT) code guidelines.

During this audit, MFD determined that SarahCare was overpaid for 129 Adult Day Health Services claims totaling \$10,126.50; thus, MFD is seeking a recovery of \$10,126.50 from SarahCare. This overpayment is attributed to instances where SarahCare billed and claims were paid for Adult Day Health Services as both FFS and ENC, for the same recipient, on the same day,

SarahCare at Watchung Square, LLC  
MFD-2015-00938  
December 9, 2016

which means that in those instances, SarahCare was paid for the same claim twice. Some Medicaid recipients are served through a FFS system where health care providers are paid for each service (i.e. office visit, test, or procedure) by Medicaid. When a Medicaid recipient is enrolled in an MCO and has a face-to-face visit (encounter) with a provider, the provider is paid by the MCO for the service(s).

### **Background**

SarahCare is an adult day care facility that provides social services and programs for seniors. In addition, SarahCare provides in-home care that includes medical and non-medical support services. Pursuant to N.J.A.C. 10:164-1.1 "Adult Day Health Services is a program that provides medically necessary services in an ambulatory care setting to individuals who are nonresidents of the facility, and who, due to their physical and/or cognitive impairment, require such services supportive to their community living."

The MFD's Data Mining Unit (DMU) uses a variety of analytical tools and data mining techniques to identify providers for audits. The DMU looks for unusual patterns or anomalies in claim reimbursement to providers and refers cases to the MFD's Audit or Investigations Units for further analysis. Once the anomalies are identified, Audit will determine whether an overpayment was made.

SarahCare was referred to the Audit Unit for review. The referral was the result of a data analytic review performed by the DMU to determine whether SarahCare improperly billed and received payments for claims as both FFS and ENC for the same recipients and services on the same dates of service.

### **Objective**

The objective of this audit was to evaluate claims billed by SarahCare to determine compliance with State and Federal regulations. The audit was conducted under the guidelines established by the AMA's CPT code guidelines.

### **Scope**

The scope of this audit entailed a review, discussion and evaluation of billings for claims where HCPCS code S5102, Adult Day Health Services were paid as both FFS and ENC for the same services. The audit period was July 1, 2011 through August 4, 2016. The audit was conducted under the authority of the Medicaid Program Integrity and Protection Act, N.J.S.A. 30:4D-53 et seq. and 52:15C-23.

## **Audit Findings**

### **Duplicate Billing of HCPCS Code**

MFD identified 129 claims totaling \$10,126.50 for Adult Day Health Services that were billed and paid as both FFS and ENC, with dates ranging from October 3, 2011 to April 13, 2012. Pursuant to N.J.A.C. 10:164-1.6, "The facility providing adult day health services shall agree to accept the reimbursement rates established by the Department [State of New Jersey Department of Human Services] as the total reimbursement for services provided to eligible Medicaid beneficiaries." A facility is not permitted to bill and receive payment for FFS and ENC claims for the same service, for the same recipient, on the same date of service.

### **Recommendations**

MFD recommended that SarahCare:

1. Reimburse Medicaid a total of \$10,126.50 for Adult Day Health Services for duplicate claim payments that were billed for the same services and paid as both FFS and ENC claims.
2. Reconcile payments received to claims billed and reimburse the Medicaid program for any overpayments that may be attributable to claims submitted as both FFS and ENC for the same recipients on the same dates of service.
3. Stay current with applicable CPT and billing guidance and update its billing policies and practices to meet current regulatory requirements.

### **SarahCare Response**

SarahCare's Administrator responded that he "agree[s] with the findings and will be reimbursing Medicaid the funds overpaid." To address Recommendations 2 and 3, the Administrator stated that SarahCare "has since installed a very thorough system where every single penny is accounted for."

### **MFD Response**

MFD appreciates that SarahCare has agreed to reimburse the Medicaid program \$10,126.50 for duplicate payments that were billed for the same services and paid as a FFS and as an ENC claim. Although SarahCare's Administrator advised MFD that SarahCare installed a "very thorough system", he did not include a Corrective Action Plan to address how SarahCare would implement each recommendation to ensure that the audit issues would be corrected. Accordingly, MFD suggests that SarahCare implement specific policies and procedures to address Recommendations 2 and 3.

SarahCare at Watchung Square, LLC

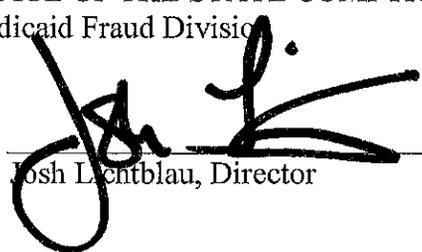
MFD-2015-00938

December 9, 2016

The full text of SarahCare's written response is included as an addendum to this report.

Sincerely,

OFFICE OF THE STATE COMPTROLLER  
Medicaid Fraud Division

By: 

Josh Lichtblau, Director

JL/mmm

Enc.

cc: Kay Ehrenkrantz, Deputy Director  
Michael McCoy, Manager of Fiscal Integrity  
Michael Morgese, Audit Supervisor

# SarahCare<sup>®</sup>

Adult Day Care Services

130 Route 22 East  
North Plainfield, NJ 07060  
Phone (908) 561-8888  
Fax (908) 222-3481  
[www.SarahCareWS.com](http://www.SarahCareWS.com)

November 23, 2016

Mr. Michael Morgese  
Audit Supervisor  
Medicaid Fraud Division

Re: Draft Audit Report Response  
SarahCare @ Watchung Square MFD-2015-00938

Dear Mr. Morgese and staff,

I have read the Draft Audit Report. I agree with the findings and will be reimbursing Medicaid the funds overpaid SarahCare.

In explanation of this occurrence, I would like to point out that SarahCare was audited from July, 2011 to August 2016 and this was the only instance of an error. This period covers several thousand claims over those 5 years.

At the time, Medicaid was switching to an HMO system and there was a lot of confusion. Making the confusion worse was when there was a dual eligible under the same HMO, as was in this case. Also, this particular person we had billed for, did not start with her HMO until months after the July date. We were billing Medicaid directly for several weeks until we did the monthly check on the Molina website and realized we should not have been charging Medicaid, we should have been charging UHC.

We started doing that and most of our claims were rejected, bounced back, underpaid or denied. We sent a large batch that had not been paid to Medicaid. When we received the Medicaid payment, there was an error in logging that payment and attributing it to the correct person, so it went unnoticed.

We have since installed a very thorough system where every single penny is accounted for. As you can tell by the audit, our system is working very well now, since this was the only error.

Please let me know who to write the check to and where to mail it. I would like to do that as soon as possible as well as send my apologies to you, your staff, Medicaid and the State of NJ for this mistake.

Please let me know how to proceed. Thank you

Juan Grana  
Administrator  
SarahCare Adult Medical Day Care