

**DEPARTMENT  
OF  
DEVELOPMENTAL SERVICES  
AUDIT  
OF  
COLLEGE HOSPITAL, INC.**

**Programs and Services:**

Acute Care Hospital – HH0937, HH1240, H17447

Audit Period: July 1, 2011, through August 31, 2013

**Audit Branch**

**Auditors:** Michael Masui, Chief of Vendor Audits  
Alton Kitay, Supervisor  
Jennifer Bernard, Lead Auditor  
Chai Saechao, Auditor

# COLLEGE HOSPITAL, INC.

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited College Hospital, Inc. (CHI), a licensed Acute Psychiatric Care Hospital. The audit was performed upon the Service Code (SC) 700, Acute Care Hospital services, for the period of July 1, 2011, through August 31, 2013.

The result of the audit disclosed the following issue of non-compliance:

**Finding 1: Acute Care Hospital – Medi-Cal and Insurance Company Reimbursement Recovery**

The review of CHI's SC 700 Acute Care Hospital services, vendor numbers HH0937, HH1240, and H17447, revealed that CHI properly submitted Treatment Authorization Requests (TAR) to the appropriate Mental Health Providers (MHP), which is County specific. However, CHI failed to file a claim for reimbursement to Medi-Cal or the appropriate insurance company for those TARs that were approved. As a result, CHI had a total of \$197,232.67 in which it should have billed to either Medi-Cal or the consumers' insurance company for reimbursement to the appropriate regional centers.

The total amount of reimbursements that should have been recovered by CHI and remitted to the appropriate regional centers amounts to \$197,232.67. During the audit process, CHI remitted payment of \$93,370.15 to the appropriate regional centers, and on September 29, 2014, provided documentation showing additional reimbursements totaling \$95,084.52 had been made to the appropriate regional centers with a remaining balance of \$8,778 ( $\$197,232.67 - (\$93,370.15 + \$95,084.52)$ ) due to DDS. A detailed discussion of this finding is contained in the Finding and Recommendation section of this audit report.

## **BACKGROUND**

DDS is responsible, under the Lanterman Developmental Disabilities Services Act, for ensuring that persons with developmental disabilities receive the services and supports they need to lead more independent, productive, and normal lives. DDS contracts with 21 private, nonprofit regional centers that provide fixed points of contact in the community for serving eligible individuals with developmental disabilities and their families in California. In order for regional centers to fulfill their objectives, they secure services and supports from qualified service providers and/or contractors. Pursuant to Welfare and Institutions (W&I) Code, Section 4648.1, DDS has the authority to audit those service providers and/or contractors that provide services and supports to persons with developmental disabilities.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The audit was conducted to determine whether CHI's Acute Care Hospital was compliant with the W&I Code, California Code of Regulations (CCR), Titles 9, 17, and 22, the Medi-Cal Provider Agreement, the Mental Health Services Agreement Contract Allowable Rate-Fee for Services Medi-Cal Psychiatric Inpatient Hospital Services contract and the regional centers' contract with CHI for the period of July 1, 2011, through August 31, 2013.

### **Scope**

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The auditors did not review the financial statements of CHI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of CHI's internal controls to gain an understanding of the transaction flow and invoice preparation process as necessary to develop appropriate auditing procedures. The audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that CHI complied with W&I Code and CCR, Titles 9, 17 and 22, the Mental Health Services Agreement Contract Allowable Rate-Fee for Services Medi-Cal Psychiatric Inpatient Hospital Services contract, and the Medi-Cal provider agreement. Also, any complaints that DDS' Audit Branch was aware of regarding non-compliance with laws and regulations were reviewed and followed-up on during the course of the audit.

The audit scope was determined by reviewing the programs and services provided to 14 regional centers that utilized CHI's services during the audit period. DDS audited services provided to the following regional centers: Alta California Regional Center (ACRC), Central Valley Regional Center (CVRC), Eastern Los Angeles Regional Center (ELARC), Frank D. Lanterman Regional Center (FDLRC), Golden Gate Regional Center (GGRC), Kern Regional Center (KRC), North Bay Regional Center (NBRC), Regional Center of the East Bay (RCEB), Redwood Coast Regional Center (RCRC), San Andreas Regional Center (SARC), San Diego Regional Center (SDRC), South Central Los Angeles Regional Center (SCLARC), San Gabriel/Pomona Regional Center (SG/PRC), and Tri-Counties Regional Center (TCRC).

Analyzing the information received during a pre-audit meeting with the vendor, an internal control questionnaire and a risk analysis, it was found that a two-month sample period would be sufficient to fulfill the billing audit objectives. However, upon analyzing the Medi-Cal/insurance company funds that should have been reimbursed to the appropriate regional centers, it was determined that an expansion of the audit was warranted to include the entire audit period due to the discrepancies found.

### **Acute Care Hospital services**

During the audit period, CHI operated one program, Acute Care Hospital services, Vendor Numbers HH0937, HH1240, and H17447, SC 700 (as described in CCR, Title 17, Section 54342):

“Section 54342-Types of Services:

- a) The following service codes shall be assigned to the following types of services:
  - 2) Acute Care Hospitals - Service Code 700. A regional center shall classify a vendor as an acute care hospital if the vendor is either:
    - (A) An acute care hospital which is validly licensed as such by DHS, and which provides inpatient care 24-hours per day; or
    - (B) An acute psychiatric hospital which is validly licensed as such by DHS, and which provides care for the mentally disordered, incompetent persons referred to in Welfare and Institutions Code (WIC), Sections 5000 to 5550.”

The audit included the review and testing of billing accuracy for all vendor numbers for the sample months of August 2011 and 2012. Upon the testing of the Medi-Cal/Insurance company reimbursement recovery, DDS determined it was necessary to review the entire audit period of July 1, 2011, through August 31, 2013.

### **Methodology**

The following methodology was used by DDS to ensure the audit objectives were met. The methodology was designed to obtain a reasonable assurance that the evidence provided was sufficient and appropriate to support the finding and conclusion in relation to the audit objectives. The procedures performed included, but was not limited to, the following:

- Review of vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interview of regional center staff for vendor background information and to obtain insight into the vendor’s operations.

- Interview of vendor staff and management to gain an understanding of its accounting procedures and processes for regional center billing.
- Interview of Department of Health Care Services (DHCS) staff and management to gain an understanding of Medi-Cal billing procedures and processes.
- Review of the W&I Code, Section 14023.7, CCR, Titles 9, 17 and 22, the Mental Health Services Agreement Contract Allowable Rate- Fee for Services Medi-Cal Psychiatric Inpatient Hospital Services contract, and the Medi-Cal provider agreement to determine if the vendor had sufficient and appropriate evidence to support the billing and reimbursements from Medi-Cal and insurance companies to the regional centers.

## **CONCLUSION**

Based upon the audit, DDS identified that CHI did not comply with the requirements of the W&I Code, Section 14023.7.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued the audit report as a draft on September 19, 2014. The finding in the audit report was discussed at a formal exit conference with Steve Witt, CHI President and CEO; April Contreras, CHI Director of Patient Financial; and Laura Mason, CHI VP of Government Operations and Managed Care, on September 24, 2014. Subsequent to the meeting, Mr. Witt responded on September 29, 2014, that CHI disagreed with portions of the audit and submitted documentation to support their argument.

## **RESTRICTED USE**

This audit report is solely for the information and use of DDS, DHCS, ACRC, CVRC, ELARC, FDLRC, GGRC, KRC, NBRC, RCEB, RCRC, SARC, SDRC, SCLARC, SG/PRC, TCRC, and CHI. This restriction is not intended to limit distribution of this audit report, which is a matter of public record.

## FINDING AND RECOMMENDATION

### **Finding 1: Acute Care Hospital – Medi-Cal and Insurance Company Reimbursement Recovery**

The review of CHI's SC 700 Acute Care Hospital services, Vendor Numbers HH0937, HH1240, and H17447, revealed that CHI properly submitted TARs to the appropriate Mental Health Plans (MHP). The MHP would then approve or deny the TAR. If it was determined that the services were eligible for reimbursement from Medi-Cal or the consumers' insurance company, CHI should have then filed a claim for reimbursement and remitted those funds to the appropriate regional centers.

It was determined that CHI failed to notify the regional centers that TARs were submitted and whether or not it was approved or denied. In some instances, TARs were approved, but CHI failed to file a claim for reimbursement with Medi-Cal or the consumers' insurance company. This resulted in the regional centers paying for reimbursable costs.

As a result, \$197,232.67 was due back to the regional centers for the TARs, which were approved for payment by the MHP, but CHI failed to submit a claim for reimbursement.

Upon conclusion of the audit fieldwork, CHI was notified of this issue, and subsequently made payments in the amount of \$188,454.67 to the regional centers, with a remaining balance of \$8,778. However, since CHI reimbursed those funds to the respective regional centers as the errors were identified, the remaining balance must be remitted to DDS since the regional centers have claimed the amount to DDS. (See Attachment B.)

W&I Code, Section 14023.7 states:

“Any provider of service seeking payment for health care services for a person eligible for these services under this chapter shall first seek to obtain payment from any private or public health insurance coverage to which the person is entitled, where the provider is aware of this coverage and to the extent the coverage extends to these services, prior to submitting a claim to the department for the payment of any unpaid balance for these services. In the event that a claim submitted to a private or public health insurer has not been paid within 90 days of billing by the provider, a claim may be submitted to the department.”



**Recommendation:**

CHI must reimburse to DDS the outstanding balance of \$8,778 for the amount that it should have sought reimbursement from Medi-Cal or the consumers' insurance companies. In addition, CHI should develop and implement policies and procedures to ensure that it is properly notifying the regional centers of the TAR approvals and denials. CHI also needs to implement a tracking system to ensure that approved TARs are submitted to Medi-Cal or the consumers' insurance company for reimbursement of costs, and remittance of those funds to the appropriate regional centers.

**CHI's Response:**

Steve Witt, CHI's President and CEO, stated via a letter to Edward Yan, DDS' Audit Manager, dated September 29, 2014, that CHI provided support for the reimbursement of funds.

See Attachment C for full text of CHI's response and Attachment D for DDS' Evaluation of CHI's response.

**College Hospital, Inc.**  
**Summary of Medi-Cal and Insurance Company Reimbursement Recovery**  
**Audit Period: July 1, 2011 through August 31, 2013**

**Attachment A**

Finding #	Vendor	Svc Code	Description	Unit Type <sup>1</sup>	Amount Reimbursed			Net Due to DDS	
					Approved Medi- Cal/Insurance Claims A	Actual Claims Reimbursed to RC's B	Amount Due to RC's C= A - B	Corrected Payment <sup>2</sup> D	Amount E= C - D
<b><u>Acute Psychiatric Hospital</u></b>									
1	HH0937, HH1240, H17447	700	Acute Psychiatric Hospital	Amount	\$ 8,778.00	\$ -	\$ 8,778.00	\$ -	\$ 8,778.00
			TOTAL		\$ 8,778.00	\$ -	\$ 8,778.00	\$ -	\$ 8,778.00
<b><i>TOTAL ACUTE PSYCHIATRIC HOSPITAL</i></b>								<b>\$</b>	<b>8,778.00</b>

1. The units are denoted in amounts due to the various rates of Medi-Cal and different insurance companies.
2. Corrected Payment denotes payments that were made to the various regional centers while the audit was still in process.

**College Hospital, Inc. (CHI)**  
**Medi-Cal and Insurance Company Reimbursement Recovery Adjustments**  
**Audit Period: July 1, 2011 through August 31, 2013**

**Attachment B**

Finding #	Vendor	Svc Code	Description	Amount Due to RC's per Initial Draft Report	Adjustments	Amount Due to RC's	Corrected Payment <sup>1</sup>	Net Amount Due to DDS
				A	B	C= A - B	D	E= C - D
<b><u>Acute Psychiatric Hospital</u></b>								
1	HH0937, HH1240, H17447	700	Acute Care Hospital Fiscal Year July 1, 2011-August 13, 2013					
			ACRC	\$ 14,521.00	\$ 790.00	\$ 13,731.00	\$ 13,731.00	\$ -
			CVRC	\$ 8,778.00	\$ -	\$ 8,778.00	\$ -	\$ 8,778.00
			ELARC	\$ 627.00	\$ -	\$ 627.00	\$ 627.00	\$ -
			GGRC	\$ 25,110.00	\$ 11,398.00	\$ 13,712.00	\$ 13,712.00	\$ -
			KRC	\$ 15,048.00	\$ 2,187.85	\$ 12,860.15	\$ 12,860.15	\$ -
			RCRC	\$ 1,254.00	\$ -	\$ 1,254.00	\$ 1,254.00	\$ -
			SARC	\$ 87,780.00	\$ -	\$ 87,780.00	\$ 87,780.00	\$ -
			SCLARC	\$ 17,760.00	\$ -	\$ 17,760.00	\$ 17,760.00	\$ -
			SGPRC	\$ 22,572.00	\$ 423.24	\$ 22,148.76	\$ 22,148.76	\$ -
			TCRC	\$ 19,005.00	\$ 423.24	\$ 18,581.76	\$ 18,581.76	\$ -
			<b>TOTAL</b>	<b>\$212,455.00</b>	<b>\$ 15,222.33</b>	<b>\$ 197,232.67</b>	<b>\$ 188,454.67</b>	<b>\$ 8,778.00</b>
<b>TOTAL ACUTE CARE HOSPITAL SERVICES HOSPITAL</b>							<b>\$</b>	<b>8,778.00</b>

1. Corrected Payment denotes payments that were made to the various regional centers while the audit was still in process.

**College Hospital, Inc.'s (CHI)  
Response to the Draft Report**

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DDS has attached CHI's response to the draft report including the cover letter and Exhibits A and B only. CHI's response, Exhibits C through E, contains confidential information including consumers' names and social security numbers and is therefore not included in the report.

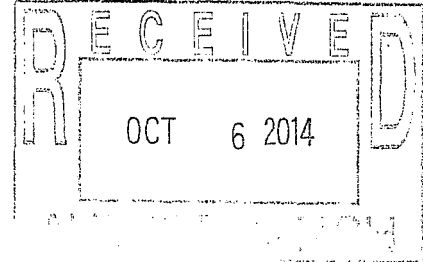


# COLLEGE HOSPITAL

10802 College Place, Cerritos CA 90703

September 29, 2014

Edward Yan, Manager  
Department of Developmental Services  
Audit Branch  
1600 Ninth Street, Room 230, MS 2-10  
Sacramento, CA 95814



Regarding:                    Response to Draft Report  
                                  Audit Report - \$212,455.00 Amount Due to Regional Center

Dear Mr. Yan,

On September 24, 2014 at 10am the formal exit conference was held regarding the draft report for the audit conducted by the Department of Developmental Services (DDS) Audit Branch for services during the period of July 1, 2011 through August 31, 2013. This letter is College Hospital's written response.

Throughout the draft report College Hospital, Inc. is referred to as an Acute Care Hospital. College Hospital is not an Acute Care Hospital. College Hospital, Inc. is licensed as an Acute Psychiatric Hospital. Exhibit A - copy of the State of California Department of Public Health License. The importance of identifying and referencing our facility accurately directly correlates to the billing regulations established by Medi-Cal. In the "scope" referenced in the draft report on page two (2), it states *"the audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that CHI complied with W&I Code and CCR, titles 9, 17, and 22 and the Medi-Cal provider agreement."* To support the scope established by DDS during the audit the final draft must reference that College Hospital, Inc. is an Acute Psychiatric Hospital. To directly review and audit the *"transaction flow and invoice preparation process"* our license directly impacts our ability to bill and collect for regional center consumers receiving services at our facility.

College Hospital, Inc. is requesting that the final draft reference the Mental Health Services Agreement Contract Allowable Rate – Fee for Services Medi-Cal Psychiatric Inpatient Hospital Services contract number DMH-01566 p.4 section N. *"Psychiatric Inpatient Hospital Services" means the following mental health services when rendered to a Beneficiary in accordance with this Agreement: (1) Acute Psychiatric Inpatient Hospital Services; and (2) Administrative Day Services. Psychiatric Inpatient Hospital Services shall be provided in either a license acute psychiatric hospital or a distinct acute psychiatric part of a licensed general acute care hospital. Psychiatric Inpatient Hospital Services provided in an acute psychiatric hospital which is larger than sixteen beds shall be reimbursed only for Beneficiary age 20 or younger or 65 and older."*

During the field work conducted at our facility your audit team was provided with a complete copy of the document referenced.

In the conclusion as stated in the draft audit report page 4 *"based upon the audit, DDS identified that CHI did not comply with the requirements of the W&I Code, section 14023.17."* On page 5 of the draft audit report W&I Code, section 14023.7 is referenced under finding 1. The code and section is specific and states *"shall first seek to obtain payment from any private or public health insurance coverage to which the person is entitled, where the provider is aware of this coverage and to the extent the coverage extends to these services, prior to submitting a claim to the department for the payment of any unpaid balances for these services. In the event that a claim submitted to a private or public health insurer has not been paid within 90 days of billing by the provider, a claim may be submitted to the department."*

This code and section will remain a compliance issue. During the audit CHI defined the transaction flow for the submission of Treatment Authorization Requests (TAR's) to the appropriate county Mental Health Plan's (MHP's). As required in Title 9 section 1830.245 Psychiatric Health Facility Services are required to submit *"written documentation requesting authorization for services within 14 calendar days of discharge or after the beneficiary has received 99 continuous calendar days of psychiatric health facility services, whichever is sooner."* CHI is required to follow the regulations of Title 9. This directly contradicts W&I Code, section 14023.7, as referenced in the draft audit report.

The mission of College Hospital is to strive to provide a continuum of superior behavioral healthcare services in a cost-efficient manner, to meet the needs of our patients, community, professional staff, and payors throughout Los Angeles and Orange Counties. The DDMI unit has provided services to regional center clients that have become problematic with placement and in which regional centers have not been able to obtain appropriate placement to ensure the safety and the wellbeing of these clients. College Hospital fully intends to continue to provide these much need services and ensure that billing regulations are met and in full compliance as stated in our contract with Medi-Cal.

College Hospital acknowledges that prior to the audit field work conducted in 2013 there was not an established procedure in which individual regional centers were notified of their discharged patients that were of billable age (20 and younger or 65 and older) and the status of the Treatment Authorizations Request (TAR's) submitted for those regional clients. Since the audit CHI has contacted the regional centers and obtained a distribution list in which quarterly reports have, and will continue, to be emailed with current status of TAR submissions. The regional centers must notify CHI if there is a change in personal and the report needs to be distributed to a different person. It is the regional centers responsibility to review this report and contact CHI if there are any questions, or if further information is needed. Exhibit B – Regional Center Quarterly Distribution List.

College Hospital acknowledges that there were some cases in which the MHP authorized a portion of the stay and claims were not submitted to Medi-Cal or the consumers' insurance company. CHI reimbursed those days that were authorized to the appropriate regional centers. To prevent this from occurring, a weekly authorization report is reviewed and a monthly meeting is held with a supervisor to review the discharged patients and status of authorized days and claim status. This report then coincides with the quarterly reports sent to the regional centers.

On December 20, 2013 CHI sent a written correspondence and documentation indicating that there is a disputed amount of \$24,000.33. For your convenience I have attached an updated spreadsheet. The accounts disputed are highlighted in yellow.

Reference Exhibit C.

The disputed amount is based on the following:

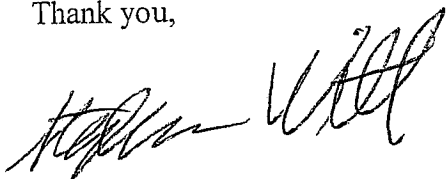
1. Errors in calculations regarding rates. During the audit the request from DDS was solely based on the acute rate of \$627 per day rather than a combination of the acute rate (\$627) and administrative date rate of \$511.85. Reimbursable rates due to the regional centers are based on the level of care authorized by the Mental Health Providers (MHP). A detailed spreadsheet and detailed documentation was provided with the initial letter dated December 20, 2013.
2. Tulare County Mental Health Plan has not properly reported authorized days to the fiscal intermediary, therefore CHI cannot submit billing. This was discussed in detail during the exit conference and per DDS request you will find the supporting documentation. Exhibit D.

The audit draft report page one (1) inaccurately reflects the remaining balance due of \$119,084.85. The amount is also reflected inaccurately on page five (5) under the recommendation section. At the time the audit was conducted the actual remaining balance due was \$95,084.52.

The balance due of \$95,084.52 that was due at the conclusion of the audit has since been issued directly to the appropriate regional centers. The amounts are reflected on the spreadsheet in the column titled Refunds Issued Post Audit. Below is a summary and attached you will find the details. Reference Exhibit E.

College Hospital is formally requesting that the final audit report accurately reflect the amounts refunded as indicated above and references the calculation errors due to the rate discrepancies. Attachment A on the draft audit report is indicating a total net due to DDS in the amount of \$119,084.85. There are no additional monies due to DDS.

Thank you,



Stephen Witt  
President / CEO  
College Hospital, Inc.  
(562) 924-9581 ext 268  
[switt@chc.la](mailto:switt@chc.la)

# Exhibit

A.

State  
of  
California Department  
of  
Public Health License



License: 930000036  
Effective: 05/01/2014  
Expires: 04/30/2015  
Licensed Capacity: 187

# State of California

## Department of Public Health

In accordance with applicable provisions of the Health and Safety Code of California and its rules and regulations, the Department of Public Health hereby issues

*this License to*

**College Hospital Inc.**

to operate and maintain the following **Acute Psychiatric Hospital**

### COLLEGE HOSPITAL

10802 College Pl  
Cerritos, CA 90703-1505

#### Bed Classifications/Services

187 Acute Psychiatric  
187 Acute Psychiatric Care

#### Other Approved Services

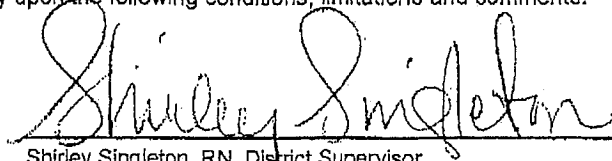
Outpatient Services - Mental Health at 10950  
COLLEGE PLACE, CERRITOS  
Outpatient Services - Mental Health at 1478 E.  
LINCOLN AVENUE, ANAHEIM  
Outpatient Services - Mental Health at 1634 W.  
19TH STREET, SUITE C, SANTA ANA  
Outpatient Services - Mental Health at 1933 W.  
Valley Blvd., Alhambra  
Outpatient Services - Mental Health at 707  
WALTON AVENUE, SIGNAL HILL

This LICENSE is not transferable and is granted solely upon the following conditions, limitations and comments:

None

Ron Chapman, MD, MPH

Director & State Health Officer



Shirley Singleton, RN, District Supervisor

Refer Complaints regarding these facilities to: The California Department of Public Health, Licensing and Certification, L.A.  
County Acute & Ancillary Unit, 3400 Aerojet Avenue, Suite 323, El Monte, CA 91731, (626)589-3724

POST IN A PROMINENT PLACE

Attachment C  
Page 15

# Exhibit

## B.

### Regional Center

### Quarterly Distribution List

## Regional Center Contact Information for Secondary Coverage Report

- Secondary Coverage Report is to be completed monthly by Patient Account Analyst
- Quarterly Secondary Coverage Reports are to be completed by Iliana

### Contact between College Hospital and all Regional Centers:

- Dr. Stephen Mouton, Clinical Psychologist, [drmouton@yahoo.com](mailto:drmouton@yahoo.com)

### San Gabriel Pomona Regional Center

75 Rancho Camino Road, Pomona, CA 91766

- Sharan Loya, Fiscal Services Manager, [sloya@sgprc.org](mailto:sloya@sgprc.org) (909) 868-7555
- Gabi McLean, CFO, [gmclean@sgprc.org](mailto:gmclean@sgprc.org) (909) 868-7563

### Tri-Counties Regional Center

520 E. Montecito St, Santa Barbara, CA 93103

- Leslie Burton, Manager of POS [Leslieb@tri-counties.org](mailto:Leslieb@tri-counties.org) (805) 884-7291

### Central Valley Regional Center

4615 N Marty Ave., Fresno, CA 93722

- Val V. Demirchian, Acct Manager [vdemirchian@cvrc.org](mailto:vdemirchian@cvrc.org) (559) 276-4307

### Alta Regional Center

2241 Harvard Street, Ste 100, Sacramento, CA 95815

- Iqbal Ahmad, CPA , Accounting Supervisor [iahmad@altaregional.org](mailto:iahmad@altaregional.org) (916) 978-6353
  - Per Iqbal via email on 08.12.14, she will be moving to another position very soon and to add Beverly McNeal to the list of contacts.
- Beverly McNeal, [bmcneal@altaregional.org](mailto:bmcneal@altaregional.org), Financial Manager, 916-978-6621
- 

### East LA Regional Center

PO Box 7916, Alhambra, CA 91802

- Edith Hernandez [ehernandez@elarc.org](mailto:ehernandez@elarc.org) (626) 299-4653

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)  
EVALUATION OF COLLEGE HOSPITAL, INC. (CHI)  
RESPONSE**

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As part of the audit process, College Hospital, Inc. (CHI) was afforded the opportunity to respond to the draft audit report and provide a written response to the finding identified therein. The Audit Branch received CHI's response to the draft audit report, dated September 29, 2014. The response included a three-page letter and 40 pages of documentation, including: licensure, regional center contact sheets, spreadsheet documenting detailed finding information/refunds, supporting documentation including TARs, Medi-Cal responses, and copies of canceled checks.

DDS evaluated CHI's written response to the draft audit report and determined CHI disagreed with the finding and provided additional supporting documentation. CHI also disagreed with language that was throughout the draft report. Provided below are DDS' evaluation of the response documentation. (See Attachment C.)

**Disagreement in Title 17 Service Code Name vs. License Name**

*Excerpts from CHI written response:*

*"... College Hospital, Inc. is referred to as an Acute Care Hospital. College Hospital is not an Acute Care Hospital. College Hospital, Inc. is licensed as an Acute Psychiatric Hospital. Exhibit A- copy of the State of California Department of Public Health License...In the {scope} referenced in the draft report on page two (2), it states {the audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that CHI complied with WIC and CCR, titles 9, 17, and 22 and the Medi-Cal provider agreement."}*

*"...requesting that the final draft reference the Mental Health Services Agreement Contract Allowable Rate- Fee for Services Medi-Cal Psychiatric Inpatient Hospital Services contact number DMH-01566 p. 4 section N. {Psychiatric Inpatient Hospital Services means the following mental health services when rendered to a Beneficiary in accordance with this agreement: (1) Acute Psychiatric Inpatient Hospital Services; and (2) Administrative Day Services. Psychiatric inpatient Hospital Services shall be provided in either a license acute psychiatric hospital or a distinct acute psychiatric part of a licensed general acute care hospital. Psychiatric Inpatient Hospital Services provided in an acute psychiatric Hospital which is larger than sixteen beds shall be reimbursed only for Beneficiary age 20 or younger or 65 and older."}*

CHI provided DDS with a copy of its license from the Department of Public Health showing that it is a licensed Acute Psychiatric Hospital.

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)  
EVALUATION OF COLLEGE HOSPITAL, INC. (CHI)  
RESPONSE**

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Upon review of the draft audit report, DDS acknowledges CHI's concern; however, DDS only uses the term "Acute Care Hospital" in reference to the Service Code of services provided as described in Title 17 for which CHI was vendored.

CCR, Title 17, Section 54342 (a)(2)(A) and (B) states:

- (a) The following service codes shall be assigned to the following types of services:
  - (2) Acute Care Hospitals- Service Code 700. A regional center shall classify a vendor as an acute care hospital if the vendor is either:
    - (A) An acute care hospital which is validly licensed as such by DHS, and which provides inpatient care 24-hours per day; or
    - (B) An acute psychiatric hospital which is validly licensed as such by DHS, and which provides care for the mentally disordered, incompetent persons referred to in Welfare and Institutions Code (WIC), Sections 5000 to 5550.

CHI is a licensed Acute Psychiatric Hospital and is vendored to provide acute care hospital services via the regional center, under Service Code 700. Per Title 17, Section 54342 (a) and (b), both acute care hospitals and acute psychiatric hospitals can provide the services per this Service Code. However, per Title 17, Service Code 700 is assigned to "Acute Care Hospitals," hence the use of this title.

**Lack of Compliance with W&I Code 14023.7**

*Excerpt from CHI written response:*

*"This code and section will remain a compliance issue. During the audit CHI defined the transaction flow for the submission of TAR's to the appropriate county Mental Health Plan's (MHP's). As required in Title 9 section 1830.245 Psychiatric Health Facility Services are required to submit {written documentation requesting authorization for services within 14 calendar days of discharge or after the beneficiary has received 99 continuous calendar days of psychiatric health facility services, whichever is sooner.} CHI is required to follow the regulations of Title 9. This directly contradicts W&I Code, section 14023.7, as referenced in the draft audit report."*

Although, CHI operates the Developmental Disability and Mental Illness (DDMI) Wing under the regulations of CCR, Title 17 and W&I Code 14023.7, some Medi-Cal approved services are provided which require that CHI comply with Title 9. In the cases where consumers have reimbursable Medi-Cal services, DDS is simply stating those Medi-Cal services must be submitted for authorization and payment. Upon receipt of those funds, CHI must reimburse the regional center for its service payments it already made to CHI.

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**Finding 1: Acute Care Hospital- Medi-Cal and Insurance Company Reimbursement Recovery**

*Excerpt from CHI written response:*

*“Errors in calculations regarding rates. During the audit the request from DDS was solely based on the acute rate of \$627 per day rather than a combination of the acute rate (\$627) and administrative date rate of \$511.85. Reimbursable rates due to the regional centers are based on the level of care authorized by the Mental Health Provider (MHP). A detailed spreadsheet and detailed documentation was provided with the initial letter dated December 20, 2013.”*

CHI provided a schedule that demonstrated how DDS applied incorrect rates to some of the consumers.

1. CHI is disputing the amount of \$8,778 being owed back to DDS based on TARs that were approved but were never submitted for payment for consumer [REDACTED] Unique Client Identification (UCI) Number [REDACTED]. CHI states that “the claim was never submitted to Medi-Cal because the TAR was never uploaded by the state on the Provider Master File (PMF) for billing...CHC [College Hospital Cerritos] submitted replacement TAR’s for Tulare County to upload on the PMF. Confirmed with Tulare County on 8/19/14 that the replacement TAR’s have been received, however, are not on the PMF.”

Included in CHI’s response was Exhibit C that contained all of the TARs and requests from CHI to Tulare County pertaining to consumer [REDACTED] UCI Number [REDACTED]. In addition to CHI’s response, dated, September 29, 2014, CHI also provided DDS with a timeline that described the processes on how the consumer was discharged and the TAR subsequently billed.

Upon analysis of CHI’s response, the attachments and timeline provided by CHI, the original TAR was approved by the County Medi-Cal representative on December 6, 2011. The timeline provided by CHI on December 12, 2013, does not make any reference to CHI ever following up on the status of the TAR, or it not being uploaded to the PMF for a claim to be billed by CHI. However, the claim was uploaded to the PMF for payment on October 30, 2013, when the DDS auditors informed CHI of the outstanding TAR.

CHI is responsible for ensuring it follows-up on TARs for approval or denial and ensuring that Medi-Cal pays for approved TARs and the respective regional centers are reimbursed.

2. CHI is disagreeing with the rate used in determining the amount owed for consumer [REDACTED] UCI Number [REDACTED]. CHI disputes the amount of \$2,187.85 from

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the \$15,048 owed back to DDS and states that only \$12,860.15 is owed. CHI argues that “the TAR was approved for 5 acute days and a total of 19 admin days; therefore, the regional center should only receive reimbursement for 5 acute days (\$627 x 5=\$3,135) and 19 admin days (\$511.85 x 19= \$9,725.15) Billing was not submitted to Medi-Cal; as acknowledged by CHC. Refund based on approved days on the TAR.”

Upon analysis of the response and its attachments, it was found that the DDS auditors applied all 24 days at an acute rate of \$627 per day. DDS agrees per the original TAR dated December 9, 2011, that the consumer was approved for five acute days at \$627 per day and 19 administrative days at \$511.85 per day.

3. CHI is disagreeing with the rate used in determining the amount owed for consumer ■■■ UCI Number ■■■ CHI disputes the amount of \$12,640 being owed back to DDS and that only \$11,850 is owed. CHI states that it “acknowledges that the claim was denied, per the Explanation of Benefits (EOB) as {this claim was submitted after the timely filing period.} CHC also acknowledges that the regional center should be reimbursed for the authorized days. Blue Shield of California authorized a total of 15 days. Dates of service August 7, 2012 – August 21, 2012. Refund based on \$790 per day rate times 15 days; not 16 days.”

Upon analysis of the response and its attachments, it was found that the DDS auditors applied all 16 days of attendance as billable, when Blue Shield of California only approved, per “Authorization Inquiry Results”, a difference of one day.

4. CHI is disagreeing with the rate used in determining the amount owed for consumer ■■■ UCI Number ■■■ CHI disputes the amount of \$2,508 owed back to DDS and that only \$2,084.76 is owed. CHI states that “the TAR #2 (8919719756) ... was approved at the admin level care not acute care level of care....”

Prior to the issuance of the draft audit report, CHI provided DDS with correspondence dated December 20, 2013 disagreeing with the auditors finding that consumer ■■■ UCI Number ■■■ was authorized 4 acute days by Medi-Cal, while they were in fact admin level days. CHI provided the original TAR dated August 15, 2013, which shows that the consumer was approved for 4 admin days.

5. CHI disputes the rate used in determining the amount owed for consumer ■■■ UCI Number ■■■ CHI states that “the TAR was approved on the PMF on June 13, 2013. The remaining 11 days due by Medi-Cal were billed to the over one-year unit with supporting documents...1 acute day DOS: 12/05/2012-

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\$313.50; 2 acute days DOS 12/09-12/10/2012- \$1,254; 1 acute day DOS 12/22/2012- \$313.50; 4 admin days DOS 12/23-12/26/2012- \$1,042.38. CHC will reimburse an additional \$1,982.88 due to timely billing.”

CHI provided DDS with copies of the TAR showing when it was submitted and approved. Per the Medi-Cal Provider Manual, any Medi-Cal claims submitted over the month billing limit will be reimbursed at a reduced rate, yet CHI acknowledged that due to untimely billing, DDS should be reimbursed the entire amount.

6. CHI disputes the number of days approved in determining the amount owed for consumer [REDACTED] UCI Number [REDACTED] CHI states that “the consumer’s insurance only authorized 16 days of treatment. The remaining days of stay were denied. CHC did submit billing and was reimbursed on November 14, 2013. Refund was processed and issued to the regional center in the amount of \$13,712 which was paid at \$857 per day by Blue Cross for 16 days.”

CHI provided DDS with copies of TARs and a Blue Shield authorization statement showing that Blue Shield only authorized 16 days. DDS concurs with CHI that the amount owed should be reduced from \$25,110 by \$11,398 to \$13,712 which was subsequently paid to GGRC on November 27, 2013.

**Conclusion:**

1. Consumer [REDACTED] UCI Number [REDACTED]  
DDS concludes that because the TARs were approved; if the claims had been made to Medi-Cal in a timely manner and proper protocols had been in place where CHI could have been made aware of an issue with the uploading; CHI would have received the funds and the appropriate regional center would have been properly reimbursed. It is the responsibility of CHI to reimburse to DDS the amount of \$8,778 for the consumer and continue to pursue payment from Medi-Cal.
2. Consumer [REDACTED] UCI Number [REDACTED]  
DDS concurs with CHI that the amount owed to DDS for the consumer shall be reduced by \$2,187.85 to \$12,860.15 which was subsequently paid to KRC on December 13, 2013.
3. Consumer [REDACTED] UCI Number [REDACTED]  
DDS concurs with CHI that the amount owed to DDS should have been \$11,850 which was subsequently paid to ACRC on December 13, 2013.



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4. Consumer [REDACTED], UCI Number [REDACTED]  
DDS concurs with CHI that the amount owed to DDS for the consumer shall be reduced by \$423.24 to \$2,084.76 which was subsequently paid to TCRC on March 20, 2014.
  
5. Consumer [REDACTED], UCI Number [REDACTED]  
DDS concurs with CHI that the amount owed to DDS for the consumer shall be reduced by \$423.24 to \$5,219.76 which was subsequently paid to SGPRC on January 2, 2014.

**Disagreement with Remaining Balance owed at Conclusion of Audit**

*Excerpt from CHI written response:*

*“The audit report page one (1) inaccurately reflects the remaining balance due of \$119,084.85. The amount is also reflected inaccurately on page five (5) under the recommendation section. At the time the audit was conducted the actual remaining balance due was \$95,084.52.”*

DDS received correspondence from CHI dated December 20, 2013 which outlined payments that had been made to that date, in addition to amounts that were disputed by CHI. Although, CHI disputed the amount of \$24,000.33, that amount was still included in the outstanding amount owed, and reflected as such on the draft audit report that was issued.

**Conclusion:**

CHI provided documentation to support that reimbursements in the amount of \$95,084.52 were made to the appropriate regional centers out of the \$119,084.85 noted in the draft audit report. Subsequently, CHI continued to dispute the amount of \$24,000.33 (\$119,084.85 – 95,084.52) due to differences in rates used, and lack of claims submitted. The \$24,000.33 contested by CHI in its response has been reduced by \$15,222.33 in adjustments made to the audit report to reflect proper rate calculations. However, \$8,778 remains unresolved. (See Attachment B.)