

PERFORMANCE AUDIT REPORT

Northampton County – Gracedale Nursing Home

Costs reimbursed by the
Pennsylvania Department of
Human Services

October 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR
AUDITOR GENERAL

October 19, 2022

Ms. Jennifer D. Stewart-King, B.S., NHA, Administrator
Northampton County – Gracedale Nursing Home
2 Gracedale Avenue
Nazareth, PA 18064

Dear Ms. Stewart-King:

This report contains the results of the Department of the Auditor General's performance audit of the Northampton County – Gracedale Nursing Home (Gracedale) with regard to costs that were reimbursed by the Pennsylvania Department of Human Services (DHS). This audit was conducted under the authority of Sections 402 and 403 of The Fiscal Code (Code), and in accordance with the 2020-2021 Budget Implementation provision of Article XVII-L, Sub article B, Section 1715-L of the Pennsylvania Fiscal Code, 72 P.S. § 1715-L. The audit was not, nor was it required to be, conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The performance audit covered the period July 1, 2020 through June 30, 2021, with updates through the report date. Our audit objective was to determine whether services for which the costs were reimbursed by DHS were rendered. We planned and performed audit procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that the evidence obtained provides a reasonable basis to support our results and conclusion.

We selected and reviewed 60 claims that were reimbursed by DHS and found that documentation maintained by Gracedale supported those services were rendered in accordance with applicable laws, associated regulations, and policies without exception. Accordingly, we issued no findings or recommendations and management indicated agreement with our audit results.

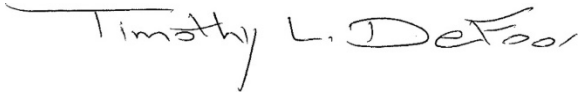
Ms. Jennifer D. Stewart-King, B.S., NHA, Administrator

October 19, 2022

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In closing, I want to thank Gracedale for its cooperation and assistance during this audit.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor

Auditor General

A Performance Audit

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Background

Gracedale Nursing Home (Gracedale) is a county-operated nursing home located in Nazareth, Northampton County, Pennsylvania, licensed by the Pennsylvania Department of Health (DOH) and registered as a Medical Assistance (MA) services provider with the Pennsylvania Department of Human Services (DHS). Originally opened in the 1800s as the Northampton County Home to care for the poor and wards of the county, it was renamed Gracedale in 1951 and became a long-term care facility.¹ Gracedale offers long-term residency care, Alzheimer’s memory care, respite care and short-term rehabilitation services.² All 688 beds in the facility are certified for MA-eligible residents.³ As of June 30, 2021, 41 of 515 residents, or approximately 8 percent, were eligible for MA Long-Term Care (LTC) services for which Gracedale received reimbursements after submitting MA claims through the DHS PROMIS^e™ system.⁴

The Northampton County Executive along with the county’s Director of Human Services oversee Gracedale’s operations. The Nursing Home Administrator heads an administrative team responsible for the day-to-day management of the facility. Gracedale’s mission is:

*To care for the people with health care needs in the most cost-effective manner while preserving their dignity and the pursuit of the highest quality of life.*⁵

Long-Term Care Services

Gracedale provides LTC nursing facility services for residents needing moderate to full assistance with daily living. Financially and medically eligible individuals who need assistance to pay for LTC at a nursing facility may apply for MA. DHS determines an individual’s financial eligibility through its County Assistance Offices (CAO), while the Northampton County Area Agency on Aging (AAA) determines medical eligibility by reviewing a medical evaluation completed by an individual’s doctor. The county’s AAA reports its eligibility decision to the CAO. If the CAO determines that the individual qualifies for MA based on the financial and medical records, MA will pay a daily rate for LTC nursing facility services, referred to as “room and board.”⁶

¹ <https://gracedale.org/about/> (accessed July 14, 2022).

² <https://gracedale.org/services/> (accessed June 10, 2022).

³ Information obtained from the DOH license issued to Gracedale on July 21, 2021.

⁴ Resident information obtained from Gracedale resident census reports for June 30, 2021. PROMIS^e™ is the Provider Reimbursement and Operations Management Information System in an electronic format. It is DHS’ claims processing and management information system that incorporates the claims processing and information activities of the following DHS program areas: 1) Office of Medical Assistance Programs; 2) Office of Developmental Programs; 3) Office of Mental Health and Substance Abuse Services; 4) Office of Long-Term-Living; 5) Special Pharmaceutical Benefits Program; and 6) Healthy Beginnings Plus.

⁵ <https://gracedale.org/about/> (accessed July 14, 2022).

⁶ The Gracedale daily rate for the period July 1, 2020 to June 30, 2021, was \$221.92, as established by DHS.

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The MA LTC rate of reimbursement includes costs for routine services including, but not limited to, the following:

- Regular room, dietary services, social services.
- General LTC services to meet daily living and health needs.
- Hair care services.
- Laundry services.
- Non-emergency medical transportation services.
- The LTC facility is required to locate medical services which the facility does not provide, such as dental care.
- Personal care items including a patient gown, shampoo, skin lotion, comb, brush, toothpaste, and toothbrush.⁷

MA reimbursement is available for nursing facility services provided at a DOH-licensed nursing home that DHS has certified as an MA-registered Nursing Facility. A participating facility must provide, or arrange for, nursing or related services and specialized rehabilitative services to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident.⁸

Funding

Gracedale receives a portion of its MA LTC funding through both the U.S. Department of Health and Human Services and the state DHS Office of Long-Term Living. Gracedale submits MA claims to DHS through DHS' PROMISE™ system. During the fiscal year ended June 30, 2021, DHS approved Gracedale MA claims totaling more than \$3.3 million for reimbursement of LTC nursing facility services provided to MA-enrolled residents at its facility.

⁷ DHS' *Long-Term Care Handbook*, Chapter 438.3 Services Included in the LTC Facility Medical Assistance (MA) Rate:

http://services.dpw.state.pa.us/oimpolicymanuals/ltc/index.htm#t=438_Benefits_and_Billing%2F438_3_Srvcs_in_LTC_Facility_MA_Rate.htm (accessed June 14, 2022).

⁸ <https://www.medicaid.gov/medicaid/long-term-services-supports/institutional-long-term-care/nursing-facilities/index.html> (accessed June 14, 2022).

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Audit Procedures and Results – Determine whether services receiving reimbursement from the Department of Human Services were rendered.

We obtained a data file from the Pennsylvania Department of Human Services (DHS) Office of Long-Term Living listing individual Medical Assistance (MA) reimbursement claims approved for Gracedale Nursing Home (Gracedale) during the fiscal year ended June 30, 2021. This file consisted of 1,337 claims for which Gracedale received \$3,320,358 of MA reimbursements for Long-Term Care (LTC) Nursing Facility services.

To achieve our audit objective, we developed procedures based on review of applicable laws and regulations, DHS and Gracedale policies, inquiries of management, and evaluation of management internal controls. We used a combination of random and judgmental selection for our review of 60 Gracedale MA claims that DHS approved for reimbursements totaling \$221,646.

As part of our procedures, we:

- Verified that DHS OLTL file with data associated with each MA claim agreed to the claim information in PROMISe™ and traced it to source documents.
- Reviewed the documents Gracedale maintained to support each claim to verify the service was provided and properly authorized as required by DHS policy.⁹
- Reviewed Gracedale Resident Agreements to ensure the MA-enrolled individuals' residencies were valid, and resident census reports and medication administration records to confirm the number of days Gracedale submitted for reimbursement.
- Obtained DHS PA-162 Forms that confirmed the individuals' MA eligibility and established daily rate.
- Recalculated the MA claim amounts by multiplying the DHS reimbursement rate by the number of service days recorded during the service period.

In conclusion, based on the results of our audit procedures above, we determined that each of the 60 claims Gracedale submitted and were approved by DHS during the audit period were supported by sufficient documentation to indicate that the services were rendered. Accordingly, we have issued no findings or recommendations pertaining to our audit.

⁹ <https://www.pacodeandbulletin.gov/Display/pacode?file=/secure/pacode/data/055/chapter1181/chap1181toc.html&d=reduce#1181.82> (accessed June 15, 2022).

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Appendix A

Objective, Scope, Methodology, and Data Reliability

The Department of the Auditor General (Department) conducted this performance audit of the Gracedale Nursing Home (Gracedale) under the authority of Sections 402 and 403 of The Fiscal Code (Code), and in accordance with the 2020-2021 Budget Implementation provision of Article XVII-L, Subarticle B, Section 1715-L of the Code (Act 114 of 2020).¹⁰ This audit was limited to the objective identified below and was not, nor was it required to be, conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We planned and performed this audit to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that the evidence obtained provides a reasonable basis to support our results and conclusion.

Objective

Our audit objective was to determine whether services for which the costs were reimbursed by the Pennsylvania Department of Human Services (DHS) were rendered.

Scope

The audit objective covered the period July 1, 2020, through June 30, 2021, with updates through the report date.

Gracedale management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with applicable laws and regulations, administrative policies, and procedures related to services in which costs were reimbursed by DHS. In conducting our audit, we obtained an understanding of Gracedale’s internal control activities, including any information system controls, considered to be significant specific to our audit objective.

For internal control activities that we determined to be significant within the context of our audit objective, we assessed the effectiveness of the design and implementation of those controls as discussed in the *Methodology* section that follows. No deficiencies in internal controls were noted in conducting our audit.

¹⁰ 72 P.S. §§ 402, 403, and 1715-L.

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Methodology

Medical Assistance (MA) claims selected for testing for this audit were based on random selection procedures along with auditor’s professional judgment. The results of our testing, therefore, cannot be projected to, and are not representative of, the corresponding population. To address the audit objective, we performed the following procedures:

- Obtained a data file from the Department’s Bureau of Information Technology Audits (BITA) summarizing DHS-approved MA claims listed by MA provider and federal account codes (70127, 70161, 70600) for the period July 1, 2020, through June 30, 2021. BITA created this data file utilizing monthly data files obtained from DHS and evaluated as part of the Commonwealth’s annual Single Audit performed by the Department. See further details in the *Data Reliability* section below. We used this file to judgmentally select MA providers to audit, including Gracedale, pursuant to Article XVII-L, Subarticle B, Section 1715-L of the Code to ensure coverage of MA programs and geographic location throughout the Commonwealth.¹¹
- Reviewed the following laws, regulations, policies, and procedures applicable to Gracedale as a provider of Long-Term Care (LTC) Nursing Facility services (federal account code 70161) for MA-enrolled individuals to determine statutory, regulatory, and policy requirements related to our audit objective:
 - *Grants to States for Medical Assistance Programs*, Title XIX of the Social Security Act of 1935, as amended (42 U.S.C. § 1396 *et seq.*).¹²
 - *Medical Assistance Manual*, Part III, Title 55 of the Pennsylvania Code (55 Pa. Code § 1101 *et seq.*).¹³
 - *Nursing Facility Services*, Title 55 of the Pennsylvania Code (55 Pa. Code § 1187).¹⁴
 - *Nursing Facility Care*, Title 55 of the Pennsylvania Code (55 Pa. Code § 1187).¹⁵

¹¹ Ibid.

¹² https://www.ssa.gov/OP_Home/ssact/title19/1900.htm (accessed February 22, 2022).

¹³ <http://pacodeandbulletin.gov/Display/pacode?file=/secure/pacode/data/055/chapter1101/chap1101toc.html> (accessed February 22, 2022).

¹⁴ <https://www.pacodeandbulletin.gov/Display/pacode?file=/secure/pacode/data/055/chapter1187/chap1187toc.html> (accessed February 22, 2022).

¹⁵ <https://www.pacodeandbulletin.gov/Display/pacode?file=/secure/pacode/data/055/chapter1181/chap1181toc.html&d=reduce#1181.82> (accessed February 22, 2022).

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- *DHS Long-Term Care Handbook.*¹⁶
- Gracedale’s Billing policy and procedure (undated).
- Interviewed Gracedale’s management to gain an understanding of the organization’s LTC nursing facility operations associated with our population of MA claims that the DHS approved for reimbursement during the audit period.
- Obtained Gracedale’s written procedures to document the LTC services provided for MA residents in the facility and developed audit procedures to test internal controls designed to ensure the accuracy of the service descriptions created to support Gracedale’s MA reimbursement claims submitted to DHS and compliance with applicable laws and regulations.
- Considered information obtained at a meeting with DHS staff from the Office of Long-Term Living (OLTL) held during a prior audit to gain an understanding of the LTC Nursing Facilities Services program and the services eligible for MA reimbursement. Auditors also discussed how claims are submitted using the PROMISE™ system, which verifies the residents’ MA eligibility before DHS approves a claim for reimbursement.
- Obtained a data file from DHS OLTL containing all Gracedale MA claims that DHS approved for reimbursement during the period July 1, 2020, through June 30, 2021, which included 1,337 claims for 271 residents, totaling \$3,320,358. For our audit population, we judgmentally included residents with at least one approved claim totaling over \$750. This audit population consisted of 210 residents with 1,173 claims totaling \$3,305,757.05.
- Randomly selected 60 residents from the DHS OLTL data file audit population as defined in the prior bullet and judgmentally selected one claim for each resident to ensure the 60 claims represented services provided throughout the fiscal year under review. The 60 selected claims totaled \$221,646.
- Developed and performed the following procedures for each selected claim to determine whether internal controls were operating effectively to ensure that the MA claims Gracedale submits for reimbursement comply with applicable laws and policies:
 - Confirmed the MA-enrolled resident had DHS approval to receive MA for LTC services during the service period associated with each selected claim.

¹⁶ http://services.dpw.state.pa.us/oimpolicymanuals/ltc/Long-Term_Care_Handbook.htm#LTC_Title_Page.htm (accessed June 14, 2022).

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- Reviewed the resident’s admissions agreement associated with each resident for the selected claim to ensure they consented to entering Gracedale to receive LTC services.
- Obtained Gracedale’s census reports and medication administration reports covering the service period for each selected claim to verify the resident was present at the facility during the service period of the claim submitted to DHS for reimbursement.
- Agreed the number of service days DHS approved for reimbursement to the facility’s census reports for each selected claim.
- Recalculated the claim amounts by multiplying the number of service days by the applicable DHS-established reimbursement rate.¹⁷ When applicable, we reviewed documentation of any claim adjustments associated with a selected MA claim and approved during the audit period to conclude on the propriety of the adjustments and selected claim’s reimbursement amount.
- Verified the data associated with each MA claim selected for testing from the DHS OLTL file agreed with the claim’s source documents in accordance with DHS OLTL policy.

Data Reliability

We performed an assessment of the sufficiency and appropriateness of computer-processed information that we used to support our results and conclusion. The assessment included considerations regarding the completeness and accuracy of the data for the intended purposes.

- To assess the completeness and accuracy of the data file of DHS-approved MA claims summarized by MA provider for federal account code 70161 for the period July 1, 2020 through June 30, 2021, BITA reconciled the data file to DHS data provided to the Department and evaluated as part of the Commonwealth’s Single Audit for the fiscal year ended June 30, 2021 conducted jointly by the Department and a certified public accounting firm.¹⁸ Based on the procedures performed, we concluded the data to be sufficiently reliable for the purposes of selecting MA providers to audit, including Gracedale.

¹⁷ DHS OLTL letters, *NF Quarterly Rate Calculation*, dated February 19, 2021.

¹⁸ <https://www.budget.pa.gov/Publications%20and%20Reports/Documents/SingleAuditReports/june-30-2021-single-audit-report.pdf> (accessed June 15, 2022).

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- To assess the completeness and accuracy of the data file received from DHS OLTL containing individual Gracedale claims approved by DHS during the period July 1, 2020, through June 30, 2021, we performed the following:
 - Reconciled the total MA claims amount to the data file BITA created utilizing monthly files of DHS-approved claims DHS provided and BITA evaluated as part of the Commonwealth’s Single Audit (described in the bullet above).
 - Reviewed the data file for possible duplicate reimbursement payments from DHS for the same service month or for any other anomalies requiring investigation to ensure the propriety of the claims.
 - Reviewed 60 selected MA claims from the DHS OLTL data file and agreed the data to source documents maintained by Gracedale, as noted in our *Methodology* above.

We concluded the DHS OLTL data file was sufficiently reliable for the purposes of this engagement.

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Appendix B

Distribution List

This report was distributed to the following Commonwealth officials:

The Honorable Tom Wolf

Governor

Ms. Jennifer D. Stewart-King, B.S., NHA

Administrator
Northampton County – Gracedale
Nursing Home

Ms. Nancy Jamann

Business Office Manager
Northampton County – Gracedale
Nursing Home

Ms. Dawn Tuersfeldman, RN

Director of Nursing
Northampton County – Gracedale
Nursing Home

The Honorable Lamont G. McClure, Jr.

County Executive
Northampton County

Ms. Sue Wandalowski

Director, Human Services
Northampton County

The Honorable Meg Snead

Acting Secretary
Department of Human Services

Ms. Tina Long

Director, Bureau of Financial Operations
Department of Human Services

Mr. Alexander Matolyak, CPA

Director, Division of Audit and Review
Department of Human Services

The Honorable Pat Browne

Majority Chair
Senate Appropriations Committee

The Honorable Michelle Brooks

Majority Chair
Senate Health and Human Services
Committee

The Honorable Art Haywood

Minority Chair
Senate Health and Human Services
Committee

The Honorable Frank Farry

Majority Chair
House Human Services Committee

The Honorable Angel Cruz

Minority Chair
House Human Services Committee

The Honorable Ben Lukens

Secretary of the Budget
Office of the Budget

The Honorable Stacy Garrity

State Treasurer
Pennsylvania Treasury Department

The Honorable Josh Shapiro

Attorney General
Office of the Attorney General

A Performance Audit

Northampton County – Gracedale Nursing Home

The Honorable Michael Newsome

Secretary of Administration

Office of Administration

Mr. William Canfield

Director

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