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December 15, 2003

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: J. Tyler McCauley
Auditor-Controller

Subject: **Management Information System Review**

We have completed a review of the Department of Mental Health's Management Information System (MIS), the primary computer system that supports the Department of Mental Health's (DMH/Department) operations. The purpose of our review was to evaluate the current and future role of the MIS in supporting accounts receivable management and to examine the MIS interface with the State's management information system.

Background

The MIS is a major on-line system that collects, processes, and reports client, provider, personnel, and service information related to budgeted activities totaling approximately $1 billion a year. The system supports more than 2,500 full-time equivalent employees, over 100 contract providers, and approximately 60 County facilities, including several major medical centers. During June 2001, the Department contracted with a consulting firm to perform a requirements analysis and assist in developing a Request for Proposals (RFP) for a new system. By memorandum dated July 2002, DMH advised the Board of Supervisors (Board) that the RFP process had been suspended.

During September 2002, the Board approved a contract for the development of an Integrated System that will enable DMH to comply with the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act (HIPAA) while continuing to use the MIS. DMH and the State had to be compliant by October 16, 2003. The State has indicated that although they may not be fully compliant by this

deadline, they will be soon. In the interim, the MIS will continue in the role of DMH's primary billing interface with the State. Even after compliance is achieved, the Department believes that one or more modules will be used for the indefinite future.

Since the MIS will continue to be used, it is important for DMH to make cost beneficial changes to correct existing control deficiencies and to ensure the control enhancements are included in the requirements analysis for any replacement system.

Summary of Findings

This review disclosed various areas where DMH's management of its automated environment and accounts receivable needs improvement. For example, an automated billing feature used by 24-hour care providers, known as "auto-billing", creates over-billings and the editing of input data by the MIS is not adequate to ensure billings are accurate. In addition, the State's system edits are not able to directly identify and deny auto-billed over-billings. Improved control over the automated billing feature could reduce over-billings.

In addition, better management of the interface between the State and County systems could improve cash flow into the County and lessen contract providers' need for working capital advances. DMH would also benefit from the use of a structured methodology to govern the development and acquisition of computer systems.

Details of these and other findings and recommendations are contained in the Comments and Recommendations section of this report.

Review of Report

We discussed our findings and recommendations with DMH representatives. In general, DMH agrees with the findings but believes the new HIPAA Integrated System will resolve many of the problems noted. We appreciate the cooperation and assistance of DMH management and staff during our review. Their response is attached.

JTM:PTM:DR:IC

Attachment

c: David E. Janssen, Chief Administrative Officer
Dr. Marvin Southard, DSW, Director, Department of Mental Health
Lloyd W. Pellman, County Counsel
Jon Fullinwider, Chief Information Officer
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee (6)

Department of Mental Health
Management Information Systems Review - Phase 4

Comments and Recommendations

Background

The Management Information System (MIS) is the primary computer system that supports the Department of Mental Health's (DMH/Department) operations. The MIS collects, processes, and reports client, provider, personnel, and service information. This phase of our review emphasizes the role of the MIS in supporting accounts receivable management and examines the MIS interface with the State's management information system.

During June 2001, the Department contracted with Fox Systems, Inc. to perform a requirements analysis and assist in developing a Request for Proposals (RFP) for a new system. The analysis was scheduled for completion during May 2002. The replacement project was anticipated to be an expensive, highly complex effort requiring several years to complete. Estimates of the replacement cost ranged from $25 to $75 million.

By memorandum dated July 10, 2002, DMH advised the Board of Supervisors that the RFP process had been suspended. On September 3, 2002, the Board of Supervisors approved a contract with Sierra Systems Group, Inc. with the goal of developing and installing an "Integrated System" that will enable DMH to comply with the Administrative Simplification Provisions of the Health Insurance Portability and Accountability Act (HIPAA) while continuing to use the MIS. The Department had to be HIPAA-compliant by October 16, 2003. The State has indicated that although they may not be fully compliant by this deadline, they will be soon. In the interim, the MIS will continue in the role of DMH's primary billing interface with the State. It is also our understanding that DMH is anticipating that the Integrated System will create a systems environment in which the capabilities of the Department's automated systems can be upgraded, modified or replaced without disturbing the Department's fundamental business processes, its relationships with its business partners, and transactions with third party payers. The Department plans to have the full MIS system functioning in a support role for a period after the Integrated System becomes operational and believes that one or more modules of the MIS will continue to be used for the indefinite future.

Since the full MIS will continue to be used beyond the point that DMH and the State have HIPAA-compliant systems, and since portions will continue to be used thereafter, it is important for DMH to make cost beneficial changes to its existing MIS to correct existing control deficiencies, and to ensure the control enhancements are included in the requirements analysis for any replacement system.

MIS Auto-Billing

The primary function of the Revenue Generation Management Subsystem (RGMS) is to generate monthly Medi-Cal claims. The MIS RGMS automatic billing (auto-billing) function calculates and bills client days of treatment for inpatient care. Admission and discharge dates are key data elements that initiate and close auto-billing claim records. Once the client is admitted for inpatient care, the auto-billing function continues to bill for each inpatient day until the service provider enters a discharge date. A failure or delay in the entry of the discharge date will result in over-billing. Although the Inpatient Utilization by Patient File Number Report (MIS 210C) highlights inpatient treatment periods open for more than 90 days, providers do not always review the Report to identify cases that need a discharge date. DMH's MIS also contributes to the over-billings because it allows multiple open treatment periods for the same client for overlapping periods. DMH estimates auto-billed overpayments at $1.2 million annually. Over-billings consist of Federal Financial Participation (FFP) funds and/or County General Fund (CGF) dollars. During our various reviews, we observed numerous instances of actual over-billings occurring.

We also noted that auto-billed over-billings can result in third-party revenues not being maximized. Specifically, when a provider treats a Medi-Cal eligible client and the State denies payment for the services because the client is already appearing in the system as a non-discharged inpatient continuing to receive services from a different provider, the County pays for the denied services. In these cases, third-party revenues are under-utilized and CGF dollars are over-utilized.

To identify auto-billed over-billings, the Department relies in part on the State's Duplicate Error Correction Reports (DECR). The DECR identifies suspect Medi-Cal claims only after the MIS and the State have processed the claims. In addition, for six DMH-operated acute-care facilities, DMH management indicated an automated report is run on the first of every month for the prior month that identifies open episodes. It is the responsibility of each provider to investigate and take appropriate action. However, auto-billed over billings for months after a patient is discharged would not be occurring if these reports were being timely cleared by the providers.

DMH needs to monitor provider utilization of MIS reports to help identify cases requiring the entry of discharge dates. If necessary, DMH should either work with providers to develop new reports or modify existing reports to make them more useful to providers. In addition, DMH needs to follow-up with problem providers and impose penalties for habitual over-billing.

For non-DMH, County run providers, DMH should consider requiring them to enter in-patient data daily instead of permitting them to enter only the admission and discharge dates. While this would significantly increase the workload, it should immediately eliminate auto-billing problems due to honest oversights in entering discharge dates.

Recommendations

1. **DMH monitor provider utilization of MIS reports to help identify cases requiring the entry of discharge dates. If necessary, DMH enhance or replace the reports to assist providers in identifying these cases.**

2. **DMH follow-up with problem providers and impose penalties for habitual over-billing.**

As indicated earlier, the Department is in the process of implementing the Integrated System. DMH hopes this System will enable improvements in the Department's systems environment while continuing to use the MIS. However, HIPAA will still enable a provider to continue to bill for a discharged patient, although it will have to be a deliberate billing and not an oversight in forgetting to enter the discharge. Also, the MIS internal controls are weak and it will have a limited useful life even after it is integrated with the new system.

DMH should install automated edits in either the Integrated System or in the MIS to prevent multiple open treatment periods for the same client for overlapping periods. In addition, DMH should analyze inpatient discharge data, determine an average length of stay by type of facility, and program the MIS, and/or its replacement, to identify treatment periods that exceed that average length of stay plus a reasonable number of days. DMH should follow-up identified treatment periods with the provider and determine the validity of the billings. The Department should include a comprehensive automated solution for this problem in the system specifications and design of any replacement system.

Recommendations

3. **DMH install automated edits to prevent multiple open treatment periods for the same client for overlapping periods.**

4. **DMH analyze inpatient discharge data, determine an average length of stay by type of facility, and program the MIS and/or its replacement to identify treatment periods that exceed that average length of stay plus a reasonable number of days. DMH follow-up identified treatment periods with the provider and determine the validity of the billings.**

5. **DMH include a comprehensive automated solution to the auto-billing problem in the specifications and design of any replacement system.**

Impact of Auto-billed Over-billings on Cash Flow Loans/Advances (CFAs)

DMH has a Cash Flow Loan/Advance Program (CFAP) to provide County contract mental health care providers access to funds to help them meet their cash requirements during the delay between their provision of service and receipt of payment from third-

party funding sources (State and federal governments). CFAs are repaid with units of service billed through the MIS.

To the extent that mental health care providers have been given credit for auto-billed over-billings against the CFA's, DMH has an unpaid, past due loan/advance. With current data, it would be difficult to immediately determine how many contract facilities with CFAs have auto-billed over-billings. According to DMH management, a process is in place to increase the outstanding balance of CFA(s) owed by the appropriate amount and to recover over-billings once they have been identified through the contractor monitoring process, typically by DMH's contract auditor. However, there may be a substantial delay between the occurrence of an over-billing and its identification.

The public accounting firm tests for auto-billed over-billings at all providers where this MIS feature is used, once every three years, the audit cycle. Because of the length of the audit cycle and DMH's substantial reliance on the audit process to identify this type of billing problem, an auto-billed over-billing could continue for three years before being discovered by the contract auditor. DMH management needs to carefully evaluate their contract auditor's findings and install appropriate controls and implement processes to minimize the providers' ability to over-bill and to ensure that auto-billed over-billings are identified. DMH also needs to limit access to the CFAP to any provider found to have a significant problem in controlling this type of billing.

Recommendations

6. **DMH management evaluate the findings of its contract auditor and install appropriate controls and implement processes to minimize the contract providers' ability to over-bill and to ensure that auto-billed over-billings are identified.**

7. **DMH limit access to the Cash Flow Advance Program to any provider found to have a significant problem in controlling their auto-billings.**

Need for a CFA Support Module

During October 2001, we issued a report on DMH's CFAP. Among other things, our report recommended that, if the Board of Supervisors decides to continue the CFAP (and they did), it should require DMH to strengthen its approval, monitoring, and loan collection activities.

The existing MIS would be of little help in achieving this goal. The MIS is designed to facilitate the delivery and billing for mental health care units of service. It was not designed to support lending activity. As a result, the MIS does not have the capability to track debit and credit loan related transactions, such as fund advances made to contract mental health providers, and repayments made by contract providers against their loans. It also cannot calculate loan balances and issue loan statements to providers on a monthly basis. While the long-term solution would be to incorporate lending-related specifications into any MIS replacement system, DMH cannot wait years for this

capability to become available. In the interim, DMH should solicit the advice of the Internal Services Department (ISD) and its consultants as to the viability of a short-term solution to address the need for CFA computer support through either modifications to the Integrated System or the acquisition of other software to support CFA activity. In addition, DMH needs to ensure that lending-related specifications are incorporated into the design of any MIS replacement system.

Recommendations

8. **DMH solicit the advice of ISD and its consultants to address the viability of a short-term solution to the need for CFA computer support.**

   Status: On March 3, 2003, the DMH Director asked the Internal Services Department (ISD) to consider obtaining loan receivable software through a local lending institution. The software requested is to have the capability to track debit and credit loan transactions, such as fund advances, repayments, and balances, and the ability to issue monthly statements.

9. **DMH ensure lending-related specifications are incorporated into the design of any MIS replacement system.**

System Interfaces

DMH transfers Medi-Cal claims electronically to the State. After the claims are processed, the State creates an automated Explanation of Benefits (EOB) file. The EOB file contains the State's disposition of each claim, the amount(s) to be paid, and the reasons for denial or suspension. DMH uses the EOB file to update the "billing status" and "amount paid" data elements in the MIS Claims History File. DMH relies on the State to identify any billing discrepancies.

County MIS to State DMH Interface

Technical staff should closely monitor computer interfaces to ensure the accuracy, completeness, and reliability of transmitted data. This has not happened with the MIS and State interfaces. For example, the State and County systems' input edits do not adequately ensure the accuracy and consistency of data flowing into the systems. These systems should have accurate and current eligibility data and, if the data in the two systems does not match, the County's system should identify this condition before DMH sends a billing record to the State.

We examined the MIS statistics for one month to determine the most common types of interface errors. We determined that the most frequent errors involved client eligibility. There were 42,087 client eligibility related errors, comprising 86.9% of all error types. These errors could have been significantly reduced or eliminated by better system

interface management and control. Examples of problems that contribute to the creation of these errors include:

- Until 2002, a manual claiming process was used exclusively to correct or resubmit denied claims which the State had put into suspense pending resolution. This manual process disrupted the efficient flow of data between the MIS and the State DMH system. The State described the manual claims process as inefficient and prone to high error rates because the State was unable to do complete edits before processing. The State asked DMH to eliminate manual claiming and, during January 2002, put DMH on an "Approve/Deny" system, eliminating a significant amount of manual processing. Under the present system, when initial claims are erroneous or rejected by the State, ninety percent (90%) are re-submitted electronically, according to DMH management. Ten percent are still submitted manually. In addition, although DMH has tentatively determined that as a matter of policy, only electronic claims will be accepted from October 16, 2003 and forward, it is our understanding this issue is still being debated.

- Manual claims, and claims processed by third-party billing agencies, do not update the MIS Claims History File, causing DMH's records to be out of balance with the State's records. It also distorts the total claiming statistics reported by the MIS.

- Currently, only the claim “status” and “amount” fields in the MIS Claims History file are updated by the EOB file. If the MIS database is not updated with current, correct client information, the MIS will generate erroneous claims that the State will later reject, if the State's system edits identify the errors. While the out-of-balance condition between the two systems would be just one of several causes of erroneous claims, even a small percentage improvement could have a material impact on cash flow and the time required to correct claims.

- The EOB update does not generate any exception reports to assist management of the process. There are no detailed activity reports showing totals of records updated and rejected with reasons for the rejections. There are also no executive summary reports to tell managers at a glance how well the update process went.

Improvements in the claiming, update, and error clearance processes will have a direct effect on the amount of Cash Flow Loans/Advances (CFA) the providers need. CFAs give contract providers access to funds during the delay between their provision of service and their receipt of payment from State and federal funding sources. The longer the processing delay, the larger the amount of CFAs needed. A reduction in claim processing time will improve provider cash flow and decrease providers' need for these advances. During the peak lending month for FY 2002-03, November, CFA's outstanding totaled $101.9 million.

DMH needs to modify the EOB Update process to reconcile common essential data elements maintained by both the State and the MIS. DMH also needs to modify the MIS to generate EOB Update exception reports and ensure the exceptions are corrected. In addition, DMH needs to eliminate manual claims and fully automate the

claims resubmission process. As indicated above, manual claims do not update the MIS Claims History File, distorting the total claiming statistics reported by the MIS. Manual processing activity is also more prone to human error as evidenced by the $170 million over-billing discussed below under the Denied Claims section of this report.

Recommendations

10. **DMH modify the EOB Update process to reconcile common essential data elements maintained by both the State and the MIS.**

11. **DMH modify the MIS to generate EOB Update exception reports and ensure the exceptions are corrected.**

12. **DMH eliminate manual claims and fully automate the claims resubmission process.**

Denied Claims

During Fiscal Year 2000-01, while analyzing DMH-generated reports of MIS activity, we found a variation in billing patterns that resulted in the discovery of a single $170 million over-billing related to Fiscal Year 1998-99. The State's computer system rejected the over-billing because its reasonableness edits detected a problem and the inflated claim was never paid. Management was unaware of the over-billing until we brought it to their attention.

This incident raises the following concerns:

- As indicated earlier, DMH needs to either use existing reports or develop easier to use summary and exception reports to better control the EOB update to the MIS. New reports should take advantage of EOB file information, such as the amount of each denied claim and the reasons for the denial, and show data on the number of records updated by type, number not updated, and the respective dollar amounts. A review of such reports would have alerted management to the $170 million error. According to the DMH Chief Information Officer Bureau (CIOB), the Revenue Generation Management System (RGMS) module of the MIS currently has these kinds of traditional balancing reports.

- DMH needs to review all reports of MIS claiming data and better monitor the error correction and remaining manual claims processes.

Recommendation

13. **DMH either use existing reports or develop easier to use summary and exception reports to better control the EOB update to the MIS. These reports include data on the number of records updated by type, number not updated, and the respective dollar amounts.**

MIS-MEDS Interface

In 1997, we recommended that DMH evaluate the feasibility of an on-line, direct interface with the State's Medi-Cal Eligibility Determination System (MEDS). This interface can improve the accuracy and efficiency of the client benefit determination process, as well as improve cash flow by materially reducing the frequency of initial claim denials. DMH agreed with the recommendation and worked with the Internal Services Department (ISD) and the State for years to develop and implement an interface to the MEDS. However, according to the DMH CIOB, neither the State nor Electronic Data Systems (EDS), acting as the State financial intermediary, appear to embrace supporting this functionality through HIPAA. To avoid any diminution in the benefits currently provided by the MIS-MEDS interface, DMH needs to aggressively lobby the State to ensure that eligibility determination continues to be supported at the same level of speed and accuracy.

Recommendation

14. DMH aggressively lobby the State to ensure that eligibility determination continues to be supported at the same level of speed and accuracy.

Clean Up Billing Support

During 1999, DMH contracted with the Chief Administrative Officer's Urban Research Division (Urban Research) for client benefits eligibility identification services. Urban Research received EOB data files from DMH, then identified denied claims that were at least six months old. Urban Research analyzed client benefits eligibility and created exception reports of potentially eligible claims which DMH forwarded to the clinics. Clinics were asked to work the exception reports and correct problems with the billing records so that the MIS could bill the record. Urban Research's efforts resulted in more than six million dollars of increased revenue from the State in the first two years.

Urban Research's file analysis approaches were available for review and discussion at any time by DMH management and their fee was competitive. As of September 2002, Urban Research began providing expanded monthly clean up billing support for DMH and savings for FY 2002-03, through February 2003, totaled $1.5 million.

Our analysis of the relationship between DMH and its current and previous clean up billing support agents indicates that for DMH to effectively manage their accounts receivable, the Department needs to maintain at least a basic understanding of Urban Research's clean up billing support methods. DMH also needs reports that will facilitate evaluating the effectiveness of the clean up billing support being provided. Such reports should either be required of the support service or DMH needs to prepare their own. To the degree practical, items that need to be reported and analyzed include:

- Percentage of claims written off due to exceeding Medi-Cal billing time limits.
- Denial reasons for unpaid claims (e.g., no Medi-Cal eligibility on file).

- Timeliness of providers in working their billing reports.
- Accuracy of the pre-bill listing

Recommendations

15. DMH maintain at least a basic understanding of Urban Research's clean up billing support methods.

16. DMH develop basic reporting tools to monitor and evaluate the activities of its clean up billing support provider.

Executive Level Steering Committee

In 1996, DMH established an Executive Level Steering Committee (Committee) to assess DMH's use of information technology (IT) and to determine DMH's strategic technology needs. The Committee, chaired by DMH's Chief Deputy Director, evaluated the Department's technology priorities, analyzed their resource allocation for IT, and recommended improvements. The Committee was disbanded after it produced a report of the results of its assessment.

In our opinion, DMH needs an IT committee and its five main functions should be as follows:

- To establish strategic IT objectives.

- To implement policies that ensure support for achieving the strategic objectives of the organization.

- To provide fiscal control by serving as the approval authority for requests for IT-related funds.

- To resolve conflicts that arise concerning priorities for IT resources.

- To ensure user-management involvement in development of specifications for any MIS replacement project, whether the replacement is accomplished by piecemeal modification of the Integrated System/MIS environment or with a new system designed to be a comprehensive replacement.

DMH indicated that for the last year the HIPAA Steering Committee provided oversight focused on HIPAA and implementation of the Integrated System to support compliance. As HIPAA compliance becomes less of an issue, DMH plans to expand the HIPAA Steering Committee's responsibilities to include a broader range of IT issues.

System Development Methodology (SDM)

Normally, a system or major module acquisition has a higher probability of success if a structured methodology is used. Although a wide variety of system development

methodologies exist, they all include essentially the same phases during the development life cycle. DMH does not currently have a formalized SDM for general use in designing and implementing information systems.

A good SDM will include the following:

- **Project Definition Study:** During this phase, the user/manager evaluates the feasibility and viability of the proposed system before any substantial amounts of resources are committed.

- **System (User) Requirements Analysis:** During this phase, the user/manager determines the business or functional requirements to be supported by the proposed system.

- **System Specification:** This phase expands upon the user requirements and outline design documented in the System Requirements Analysis to produce a detailed specification of the system.

- **Technical Design:** This phase describes how the proposed system is to be built, continuing from the System Specification phase, which describes how the system will "look" to the user/manager.

- **Technical Procedure Development:** The programming code is created and tested during this phase.

- **User Procedure Development:** Procedures and instructions for system users are developed and user staff are trained in those procedures.

- **System Acceptance Testing:** The goal of this phase is to perform a comprehensive test of the entire system, covering both automated and manual procedures, including data conversion.

- **Transition:** This phase deals with the conversion of data and the installation of the new system in the production environment.

- **Post-implementation Evaluation:** After the system has been in operation for a predetermined time, its performance is examined. Conclusions and recommendations are presented to management on both system efficiency and effectiveness and on the development process.

In the Department's July 2002 memorandum to the Board, DMH management indicated that the decision to forgo further work on the MIS replacement system was based on a number of factors. Given the Department's budget realities, DMH did not have the resources for such a major commitment, then or in the foreseeable future. In addition, because of federal HIPAA mandates, DMH believed the Integrated System Project had to be given a higher priority. The Department also believed that the Integrated System Project and advances being made in technology might suggest alternative means of

achieving some of the benefits of an MIS replacement, but at a lower cost. The estimated cost for the Integrated System is approximately $28 million over a four to five-year period, while MIS replacement costs had been estimated at from $25 million to more than $75 million over a three-year period. However, at some point, the MIS must be significantly modified, enhanced, or eliminated. It does not have an unlimited system life. Its code is inflexible and poorly documented and its programming language is old by IT standards. Poor documentation increases the difficulty of designing needed code changes and increases the risk that a change to one part of the System will have unexpected, negative effects on some other part of the System.

The Rational Unified Process (RUP) system development methodology being used for the Integrated System organizes projects in terms of disciplines and phases, each consisting of one or more iterations which address system development risks early and continuously. Adoption of the RUP methodology, at least for this limited but important purpose, demonstrates that DMH understands the benefits of having an SDM to guide the Department. Without an SDM, cost overruns, schedule delays, and system design and operational problems are more likely to occur.

During January 2003, DMH management indicated that they defer to the ISD/Information Technology Service (ISD/ITS) for the provision and support of systems development efforts and that the DMH Chief Information Officer Bureau (CIOB) only provides data extracts and reporting capabilities. However, development/acquisition and implementation of new systems or significant modifications to old systems require the commitment of significant resources by the benefiting department, in this instance, DMH. ISD/ITS' proper role is to provide technical support to DMH. DMH should own the system development process and benefit from the new system in direct relationship to the amount of time and effort invested in developing specifications, in managing compliance with those specifications, and in testing the system before acceptance.

DMH needs to develop and implement a formalized SDM to follow during the system development/acquisition and implementation process. In addition, the Director of DMH should establish Departmental policy requiring the use of an SDM for all electronic data processing system projects and significant involvement by DMH management and staff in developing specifications, in managing compliance with those specifications, and in testing the system before acceptance.

Recommendation

17. DMH develop and implement a formalized SDM to follow during the development/acquisition and implementation process for all electronic data processing system projects. The SDM require significant involvement by DMH management and staff in developing specifications, in managing compliance with those specifications, and in testing the system before acceptance.

COUNTY OF LOS ANGELES

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Reply To: (213) 738-4108
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November 20, 2003

TO: DeWitt Roberts
Chief, Audit Division
Department of the Auditor-Controller

FROM: Susan Kerr
Chief Deputy Director

SUBJECT: **RESPONSE TO DEPARTMENT OF MENTAL HEALTH MANAGEMENT INFORMATION SYSTEM REVIEW, DATED OCTOBER 23, 2003**

On October 15, 2003, DMH representatives met with members of your staff to review the draft audit report dated September 17, 2003. The attached is our response to the recommendations contained in your report for the Department of Mental Health. We appreciate the recommendations your staff has made for the continuing enhancement of the operational and systems procedures employed by various units within the Department.

If you have any questions, please call me at (213) 738-4108, or your staff may contact Arthur M. Malinski, Chief Information Officer, at (213) 351-2909.

SK:AMM:amm

Attachment

c: Marvin J. Southard, D.S.W.

COUNTY OF LOS ANGELES – DEPARTMENT OF MENTAL HEALTH

AUDITOR-CONTROLLER'S
MANAGEMENT INFORMATION SYSTEM REVIEW
RESPONSE TO RECOMMENDATIONS

Recommendations:

1. **DMH monitor provider utilization of MIS reports to help identify cases requiring the entry of discharge dates. If necessary, DMH enhance or replace the reports to assist the providers in identifying these cases.**

2. **DMH follow-up with problem providers and impose penalties for habitual over-billing.**

Response:

The Health Insurance Portability and Accountability Act (HIPAA) requires the data entry of specific data elements before the submitted transaction is deemed valid. The discharge date is one of those required elements and the Department's new Integrated System has edit and validation logic incorporated to ensure that the providers include this data. In addition, the Integrated System and the HIPAA transaction rules prohibit multiple open treatment periods for the same client. The Department's old DMHMIS will not longer be accessible by the providers for entering claim data. All future entries will be through the Integrated System.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.

Recommendations:

3. **DMH install automated edits to prevent multiple open treatment periods for the same client for overlapping periods.**

4. **DMH analyze inpatient discharge data, determine an average length of stay by type of facility, and program the MIS and/or its replacement to identify treatment periods that exceed the average length of stay plus a reasonable number of days. DMH follow-up identified treatment periods with the provider and determine the validity of the billings.**

5. **DMH include a comprehensive automated solution to the auto-billing problem in the specifications and design of any replacement system.**

Response:

The system strategy adopted by the Department and the County for the HIPAA compliance effort was to have the DMHMIS encapsulated within a "wrapper", i.e., the DMH MIS would be isolated from existing CICS transactions by custom designed software. This "wrapper" known as the Integrated System has the recommended edits incorporated into the data entry coding such that the HIPAA compliance rules are met. As noted above the HIPAA transactions affirmatively require a discharge date before the transaction can be submitted as a claim.

Additional functionality such as editing and validation criteria can be added to the Integrated System change control process.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.

Recommendations:

6. **DMH management evaluate the findings of its contract auditor and install appropriate controls and implement processes to minimize the contract provider's ability to over-bill and to ensure that auto-billed over-billings are identified.**

7. **DMH limit access to the Cash Flow Advance program to any provider found to have a significant problem in controlling their auto-billings.**

Response:

The HIPAA Administrative Simplification Transaction and Code Set rules effectively prohibit auto-billings as a valid discharge date must be entered into the appropriate field before the transaction will be accepted as valid.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.

Recommendations:

8. **DMH solicit the advise of Internal Services Department (ISD) and its consultants as to the viability of a short-term solution to the need for CFA computer support.**

   Status: On March 3, 2003, the DMH Director asked the ISD to consider obtaining loan receivable software through a local lending institution. The software requested is to have the capability to track debit and credit loan transactions, such as fund advances, repayments and balances, and the ability to issue monthly statements.

9. **DMH ensure lending-related specifications are incorporated into the design of any MIS replacement system.**

Response:

These recommendations will be entered into the Integrated System Modification Request Log and will be reviewed and prioritized for future inclusion into the Integrated System.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.

Recommendations:

10. **DMH modify the EOB Update process to reconcile common essential data elements maintained by both the State and the MIS.**

11. **DMH modify the MIS to generate EOB Update exception reports and ensure the exceptions are corrected.**

12. **DMH eliminate manual claims and fully automate the claims resubmission process.**

Response:

Both the State and the Department have to attain and maintain compliance with the HIPAA rules regarding Transactions and Code Sets and the data elements that the transactions contain. The exception reporting will be a function supported by the Integrated System.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.

Recommendation:

13. **DMH either use existing reports or develop easier to use summary and exception reports to better control the EOB update to the MIS. These reports include data on the number of records updated by type, number not updated, and the respective dollar amounts.**

Response:

The current EOB functionality will be encapsulated within the new HIPAA compliant Integrated System. As DMH's Financial Services Bureau determines the need for and the requirements of new reports, these will be logged into the System Modification Request Log and prioritized for development and implementation.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.

Recommendation:

14. **DMH aggressively lobby the State to ensure that the eligibility determination continues to be supported at the same level of speed and accuracy.**

Response:

We agree with this recommendation and will continue to pursue a favorable outcome to this recommendation.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.

Recommendations:

15. **DMH maintain at least a basic understanding of Urban Research's clean up billing support methods.**

16. **DMH develop basic reporting tools to monitor and evaluate the activities of its clean up billing support provider.**

Response:

It is anticipated that the provisions of HIPAA and the new DMH Integrated System will minimize new need to use Urban Research's assistance to clean up MediCal claims. The HIPAA transaction provisions are stringent enough to preclude most, if not all, invalid claims.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.

Recommendation:

17. **DMH develop and implement a formalized System Development Methodology (SDM) to follow during the development/acquisition and implementation process for all electronic data processing system projects. The SDM require significant involvement by DMH management and staff in developing specifications, in managing compliance with those specifications, and in testing the system before acceptance.**

Response:

We agree with the recommendation with some specific modifications. The Auditing staff provides a description of the SDM that reflects how systems were developed in the 1970's and 1980's. With the advent of new development tools, new technology in term of hardware platforms and interconnectivity and very rapidly changing business requirements, a newer process has been developed and is in overwhelming use for the development of computer based systems.

Specifically those steps described as "System Specification, Technical Design, Technical Procedure Development, and User Procedure Development" are addressed currently through a process of development prototyping. In this process, which is applicable only to application development and not systems acquisition, the requestor and the developer (Analyst/Programmer) work as a team to describe and create the requisite functionality. Almost without exception, these applications are browser based and have the same "look and feel" as every other application.

Acquisition of computer based systems follows a similar path but without the aforementioned steps. In this case the critical issue is functionality, price and ancillary factors such as maintenance, upgrades, etc. It should be noted that this process also includes User Procedure Development and often this responsibility is shared with the vendor.

Various manuals within the County administrative and technical communities reference those steps in the Audit Report. It is recommended that this documentation be updated to more accurately reflect the current development environment.

Persons Responsible for Implementation:

Chief Information Officer – Arthur M. Malinski and CIO Bureau Staff.