Why OIG Did This Review
Children’s partial hospitalization is an outpatient treatment program provided in a hospital-based setting for youth and young adults and intended to minimize the need for inpatient hospitalization.

A prior review of New Jersey’s claims for Medicaid adult partial hospitalization services identified a significant number of claims improperly submitted for Federal Medicaid reimbursement. This review covers similar services provided to children.

Federal law requires outpatient hospital services to be provided by a facility licensed as a hospital. Claims must be supported by documentation showing (1) that specific services were provided and properly documented, (2) staff-to-client ratio requirements were met for group therapy services, (3) staff met qualification requirements, and (4) weekly progress notes were maintained.

Our objective was to determine whether New Jersey claimed Federal Medicaid reimbursement for children’s partial hospitalization services that complied with Federal and State requirements.

How OIG Did This Review
Our review covered $59.9 million (Federal share) for 392,985 children’s partial hospitalization claims paid during 2011 through 2014. We reviewed and analyzed a random sample of 100 of these claims.

New Jersey Claimed Federal Medicaid Reimbursement for Children’s Partial Hospitalization Services That Did Not Meet Federal and State Requirements

What OIG Found
New Jersey did not comply with Federal and State requirements for all 100 of the claims in our sample, including 94 that contained more than 1 deficiency.

For all 100 claims, we found that services provided were not documented or adequately supported. For 81 claims, services were provided at a facility not licensed by New Jersey’s hospital licensing agency to provide outpatient hospital services. For 48 claims, providers did not meet the minimum staff-to-client ratio requirement for group therapy services. For 16 claims, services were provided by staff that did not meet qualification requirements. Finally, for 10 claims weekly progress notes were not maintained. As a result, the quality of care provided to the children at these providers might have been inadequate.

The deficiencies occurred because New Jersey did not ensure that children’s partial hospitalization services were provided by appropriately licensed hospitals. Also, New Jersey did not adequately monitor the children’s partial hospitalization program to ensure that providers complied with Federal and State requirements.

What OIG Recommends and New Jersey’s Comments
We recommend that New Jersey refund $54.7 million to the Federal Government. We also recommend that New Jersey’s Medicaid agency work with the State’s hospital licensing agency to ensure that children’s partial hospitalization services are provided by appropriately licensed hospitals. We also make other procedural recommendations.

In written comments on our draft report, New Jersey disagreed with our recommendations. However, it described changes made to its provider requirements that may address some of our recommendations.

After reviewing New Jersey’s comments, we revised our determination for one claim. The State agency did not provide any additional support for the allowability of the remaining claims; therefore, we maintain that our remaining findings and recommendations are valid.

The full report can be found at https://oig.hhs.gov/oas/reports/region2/21601008.asp.