Department of Health

Medicaid Program: Oversight of Social Adult Day Care Programs

Report 2023-S-21 | February 2026

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller
Division of State Government Accountability

Audit Highlights

Objective

To determine whether the Department of Health (DOH) provided adequate oversight of Medicaid managed long-term care plans to ensure social adult day care program services met program standards. The audit covered the period from January 2019 through October 2024.

About the Program

Many of the State's Medicaid recipients are enrolled in managed long-term care (MLTC) plans, which provide long-term care services to individuals who are chronically ill or disabled and who wish to stay in their homes and communities. These services include Home and Community-Based Services (HCBS), which encompass Social Adult Day Care (SADC). SADC has been a covered MLTC service since March 2014 and provides members with socialization, supervision, monitoring, personal care, and nutrition within a structured setting. From January 2019 through October 2024, MLTC plans made $2.4 billion in payments for SADC services.

SADCs must comply with New York Codes, Rules and Regulations (NYCRR), Title 9, Section 6654.20, which establishes minimum standards for SADC program administration and operation. Additionally, in January 2014, the Centers for Medicare & Medicaid Services issued the HCBS Final Rule (Final Rule) establishing criteria for Medicaid reimbursable settings such as SADCs. This Final Rule requires that the service planning for HCBS participants be developed through a person-centered planning process that considers health and long-term support needs in a manner reflecting the individuals' preferences and goals, resulting in a Person-Centered Service Plan.

In December 2021, DOH utilized the site name and address provided in network submissions by MLTC plans and assigned a site ID to each to create the HCBS Sites and Contracts Database (Database). This tool allows DOH to monitor SADC site compliance with the Final Rule by documenting when annual site visits occur and the review outcomes (e.g., compliance or need for remediation).

Key Findings

We identified weaknesses in DOH's oversight of the SADC program that resulted in non-compliance with program standards as well as questionable and improper Medicaid payments. For example, we identified over $285 million in questionable encounter payments to SADCs for service dates after the SADCs were terminated from at least one of the six MLTC networks we reviewed, including over $28.6 million paid to SADCs terminated for cause (fraud, waste, and abuse; integrity; and quality). In some cases, when one MLTC plan terminated an SADC for cause, other MLTC plans continued to pay them for services.

We also visited three SADCs and identified $1.3 million in improper payments for services lacking supporting documentation, as follows:

- From a judgmental sample of 15 members' assessments and Person-Centered Service Plans at two of the three SADCs we visited, we found non-compliant files for 14 of the 15 members, totaling $625,360 in payments. Examples of non-compliance included payments made for claims that occurred prior to a member having their required initial assessment, as well as missing and unsigned Person-Centered Service Plans (meant to ensure the member participated in developing the plan for their services). Although DOH recommends MLTC plans review 10% of

enrolled members during annual site visits, three MLTCs we reviewed met this threshold on only two of the nine site visits reviewed.

- While the NYCRR requires that SADC services be documented, neither the rules nor DOH specify what is considered sufficient documentation to support billing for SADC services. All three SADCs we visited used member sign-in logs to document the delivery of services; however, our review of these logs found 7,964 of 92,969 encounter claims (about 9%) totaling $672,147 were not supported by a sign-in log. DOH's ability to assess the benefits of the SADC program—as well as its ability to protect Medicaid dollars from waste or abuse—is limited without detailed documentation requirements supporting that services were provided as well as a routine review of what services are provided.

Additionally, SADCs are required to use a facility with sufficient space to accommodate program activities and services and to operate the facility in a manner that prevents hazards to personal safety. We reviewed the Certificates of Occupancy and other related documentation found in the NYC Department of Buildings' Building Information System for two SADCS, finding that MLTC plans were not always ensuring SADCs meet requirements as follows:

- One SADC that opened a site in 2018 had a violation still listed as active as of November 2024 for not amending the Certificate of Occupancy issued in 2014 for the ambulatory health care facility that previously occupied the space. For a second location for the same SADC, an August 2017 violation stated that a new Certificate of Occupancy was to be obtained after a complaint of work without a permit was filed in August 2017; however, as of May 2024, no updated certificate had been issued.
- One SADC operating on three floors at a location had, according to the Certificate of Occupancy, a combined maximum capacity of 323 people. We identified 386 service dates where the members exceeded this capacity. For example, according to encounter claims data, on September 28, 2022, this SADC served 530 members (totaling $47,255 in payments)—207 over its maximum allowed capacity.

Key Recommendations

- Review the improper and questionable encounter payments identified in this report and make recoveries, where appropriate.
- Strengthen monitoring of SADC services to prevent improper payments and confirm that members receive the services outlined in their Person-Centered Service Plans.
- Ensure that SADCs obtain the proper Certificate of Occupancy or take necessary corrective actions. Additionally, enhance monitoring of MLTC plans to ensure they obtain the proper Certificates of Occupancy before enrolling SADCs in their network.

Office of the New York State Comptroller
Division of State Government Accountability

February 6, 2026

James V. McDonald, M.D., M.P.H.
Commissioner
Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Dear Dr. McDonald:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the Medicaid program entitled *Oversight of Social Adult Day Care Programs.* This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

Contents

Glossary of Terms

Term	Description	Identifier
DOH	Department of Health	*Auditee*
Certification	Annual certification of SADC compliance	*Key Term*
CMS	Centers for Medicare & Medicaid Services	*Agency*
Database	HCBS Sites and Contracts Database	*System*
DFTA	NYC Department for the Aging	*Agency*
eMedNY	Medicaid claims processing and payment system	*System*
Encounter	Record of a health care service provided to a managed care recipient	*Key Term*
Final Rule	Federal regulations that set forth new requirements for Medicaid to provide home and community-based long-term care services. The regulations enhance the quality of HCBS and provide additional protections to individuals who receive Medicaid services.	*Key Term*
HCBS	Home and Community-Based Services	*Key Term*
MLTC	Managed long-term care	*Key Term*
NPI	National Provider Identifier	*Key Term*
NPPES	National Plan and Provider Enumeration System	*System*
NYCRR	New York Codes, Rules and Regulations	*Law*
OMIG	Office of the Medicaid Inspector General	*Agency*
PNDS	Provider Network Data System	*System*
SADC	Social Adult Day Care	*Key Term*

Background

The New York State Medicaid program is a federal, state, and local government-funded program that provides a wide range of medical services to those who are economically disadvantaged and/or have special health care needs. The Medicaid program is administered by the State's Department of Health (DOH). During the State fiscal year ended March 31, 2025, New York's Medicaid program had approximately 8.4 million recipients and Medicaid claim costs totaled about $93 billion. The federal government funded about 55.7% of New York's Medicaid claim costs, and the State and localities (the City of New York and counties) funded the remaining 44.3%.

DOH uses two methods—fee-for-service and managed care—to pay for Medicaid services. Under fee-for-service, DOH, through its Medicaid claims processing and payment system (eMedNY), pays Medicaid-enrolled providers directly for services delivered to Medicaid members. Under managed care, DOH pays managed care organizations monthly premiums, which they use to pay providers for health care services rendered to Medicaid members enrolled in their plans. Managed care organizations then submit records of these claims (referred to as encounter claims) to DOH's Original Source Data Submitter system (formerly the Encounter Intake System) to inform DOH of each service provided to their members. Encounter claims are required to be accurate and timely and must generally include the billing provider's National Provider Identifier (NPI). NPIs are assigned through the Centers for Medicare & Medicaid Services' (CMS) National Plan and Provider Enumeration System (NPPES), which also maintains and updates information about health care providers with NPIs.

The State's Medicaid program offers different types of managed care coverage, depending upon individual eligibility. One type of coverage is managed long-term care (MLTC), which provides long-term care services to people who are chronically ill or disabled. Each MLTC plan must maintain a provider network that is sufficient to deliver comprehensive services to its enrolled population and report its contracted provider information through DOH's Provider Network Data System (PNDS) on a quarterly basis. MLTC plans are also responsible for ensuring proper credentialing of their participating in-network providers (i.e., ensuring providers meet applicable licensing, certification, or qualification requirements).

In January 2014, CMS issued the Home and Community-Based Services (HCBS) Settings Final Rule (Final Rule) which established requirements for the qualities of settings that are eligible for reimbursement for Medicaid HCBS provided under Sections 1915(c), 1915(i), and 1915(k) of the Medicaid statute. The HCBS program provides opportunities for Medicaid members who wish to receive services in their homes or within the community rather than in institutions or other isolated settings. This Final Rule specifies that service planning for HCBS program participants must be developed through a person-centered planning process that addresses health and long-term services and support needs in a manner that reflects the individuals' preferences and goals, resulting in a Person-Centered Service Plan. Person-centered care may include supporting members' rights to decide what and when to eat, to choose their services and who provides them, and to decide whether

or not to allow visitors. In January 2020, CMS issued a letter to state Medicaid directors extending the time frame for states to demonstrate compliance with the Final Rule to March 17, 2023.

Medicaid members must be enrolled in an MLTC plan to participate in certain HCBS programs such as Social Adult Day Care (SADC). SADC is a structured program that provides members with socialization, supervision, and monitoring, as well as personal care and nutrition in a protective setting. SADC has been a covered service for MLTC plan members since March 2014.

In December 2021, DOH used the site name and address reported on the October 2021 Quarterly PNDS to identify SADCs contracted with an MLTC plan and to assign a site ID to each in order to create the HCBS Sites and Contracts Database (Database). This Database is DOH's tool for monitoring SADC site compliance with the Final Rule by documenting when the required annual site visit was conducted and what the review determination was (e.g., SADC is in compliance or remediation is needed).

SADCs must also adhere to New York Codes, Rules and Regulations (NYCRR), Title 9, Section 6654.20, which establishes minimum requirements for the administration and operation of SADC programs. SADCs must also attest to compliance via an annual certification (Certification) through the Office of the Medicaid Inspector General (OMIG) for each site where services are provided. According to DOH guidance, the purpose of the Certification is to ensure SADC providers are in compliance with relevant rules and regulations and that members have access to safe SADC service settings. The Certifications collect information about the SADC including name, address, Federal Employer Identification Number, and SADC owner and program director information. Additionally, the Certification process requires the SADC to answer questions attesting to its compliance with the NYCRR. Certifications are submitted electronically through OMIG's website and must be completed prior to an MLTC plan entering into a contract with an SADC and then completed annually thereafter. According to DOH guidance, each SADC must retain a copy of its submission confirmation and provide a copy to the MLTC plan. This guidance also states that the MLTC plan is responsible for ensuring that SADCs in its network have completed the Certification and for maintaining a copy of the submission confirmation.

For the period from January 2019 through October 2024, there was almost $2.4 billion in MLTC encounter claims for SADC services. During the COVID-19 pandemic public health emergency, the number of SADCs fell, but has since recovered to almost pre-pandemic levels, while the number of participating members continues to grow and program costs have almost doubled (see Table 1). Payments for SADC services rose dramatically, with an increase of over 141% from 2021 to 2023.

Table 1 – Paid Amounts to SADCs by Year

Year	Number of SADCs	Number of Members	Amount Paid
2019	446	35,529	$354,751,768
2020	418	36,841	166,260,615
2021	352	36,785	250,489,887
2022	401	47,722	511,892,919
2023	443	52,660	603,859,275
2024*	428	56,565	480,242,297
Total			**$2,367,496,761**

*Note: Data for 2024 is through October.

Audit Findings and Recommendations

We found that DOH lacked sufficient oversight of the SADC program, and actions are needed to reduce the risk of improper payments and protect Medicaid members.

During the audit period, DOH made efforts to comply with the Final Rule, but we discovered DOH needs to strengthen its central oversight of the SADC program. Because SADCs may serve members from more than one MLTC plan, DOH should ensure that issues identified at an SADC by one MLTC plan are communicated to all MLTC plans. For example, we obtained provider termination lists from six of the largest MLTC plans (by total Medicaid payments) and found $285 million in questionable encounter payments made to SADCs for service dates after they had been terminated from at least one MLTC plan's network. Of the $285 million, over $28.6 million was for services provided by SADCs that were terminated for cause (fraud, waste, and abuse; integrity; and quality).

One MLTC plan in our review terminated two NPIs (representing two locations) for one SADC due to fraud, waste, and abuse, effective August 29, 2021. At the time our audit fieldwork concluded, the SADC was still in-network with 18 other MLTC plans and had received payments totaling over $12.9 million on 203,200 encounter claims after the MLTC plan had terminated it (both NPIs had encounters within this population).

We also identified significant weaknesses in DOH's monitoring of SADC services. We visited three SADCs (four locations) and found $1.3 million in improper payments for SADC services that lacked a corresponding Person-Centered Service Plan or support for billed services. We also determined that one SADC did not possess an appropriate Certificate of Occupancy for either of its two locations, as required.

Lastly, we found that DOH could leverage additional data sources to better ensure that MLTC plans are fulfilling their contractual obligations and effectively monitoring SADC compliance. Our analysis of the NPIs on encounter claims identified $6 million in SADC payments where the billing provider's name and address were not in the Database, based on information obtained from NPPES. Considering rising program costs and the vulnerability of the population served, it is crucial that DOH improve oversight of MLTC plans and SADC providers. DOH should review the questionable and improper payments identified in this report and determine appropriate actions, including recoveries. We urge DOH to strengthen monitoring efforts to ensure MLTC plans comply with HCBS and NYCRR requirements.

MLTC Payments to SADCs Terminated From Network

The Medicaid MLTC Model Contracts require MLTC plans to report to DOH and OMIG on a monthly basis any contracted providers that have been terminated "for cause" (e.g., for fraud, waste, and abuse; integrity; and quality). We obtained lists of terminated SADCs from six MLTC plans and identified 95 SADC NPIs on encounter claims totaling over $285 million where the SADC NPI had been terminated from at least one MLTC plan's network. Over $28.6 million in payments were for SADCs terminated for cause.

For example, one MLTC plan terminated two NPIs (representing two locations) for one SADC for fraud, waste, and abuse effective August 29, 2021. In June 2021, the MLTC plan referred the SADC to OMIG, notifying OMIG of its investigative findings. On September 23, 2021, the MLTC plan notified DOH that it had terminated the SADC; however, its notice included only the SADC name and one of the two NPIs, but did not provide the other NPI and location addresses. While the MLTC plan provided only limited information, DOH still could have taken action to ensure encounter claims for these terminated NPIs were no longer being submitted. However, there is no centralized mechanism to notify other MLTC plans when an SADC is terminated for cause. At the time our audit fieldwork concluded, the SADC was still in-network with 18 other MLTC plans and had received payments totaling over $12.9 million on 203,200 encounter claims since the date it was terminated by the MLTC plan (both NPIs had encounters in this population).

In their response, DOH officials stated that one MLTC plan's removal of an SADC from its network does not always justify termination from all networks because reasons for removal can vary. While we agree, we also note that we had updated our analysis to remove known SADCs that were terminated for certain reasons (e.g., network consolidation). Furthermore, we provided the example above to DOH in a preliminary report to specifically demonstrate that SADCs removed for cause by one MLTC plan could continue to be in-network for others. DOH and OMIG should review terminated SADCs and, if they determine an SADC was terminated for cause, decide if they should be prohibited from participating in the Medicaid program.

Weaknesses in Monitoring of SADC Services Provided to Members

To verify compliance with the Final Rule—meant to ensure that SADCs have policies and procedures in place to ensure members' individual choices are adhered to—DOH conducts reviews and assesses Person-Centered Service Plans. DOH uses its Database to track SADC sites and, as of January 2024, uses its Ongoing Monitoring and Compliance program to schedule and conduct virtual site visits with the assistance of an MLTC plan representative. Once the virtual visit date is confirmed, DOH requests various SADC documentation in advance of the site visit, including completed Person-Centered Service Plans for up to three members. The MLTC plan is responsible for obtaining the documents from the SADC and ensuring all documents are provided to DOH within the required time frame, as well as ensuring all documents are reviewed for completeness.

In addition to the Final Rule, SADCs must also comply with the NYCRR regarding SADC administration and operation requirements, including SADC provider requirements to maintain member service records such as the individual assessment, the Person-Centered Service Plan, and documentation of the delivery of services. During our audit fieldwork, we conducted site visits to three SADCs that received over $82 million in payments during our audit scope and found non-compliance with these requirements as described below.

Missing Person-Centered Service Plans

Pursuant to the NYCRR, SADC providers are required to complete an individual assessment of each member's functional capacities and impairments prior to the member being admitted to an SADC program. SADC providers must also complete a Person-Centered Service Plan within 30 days of each member's admission to the SADC and then on an annual basis, or more often if the member's needs or requests change. Person-Centered Service Plans must be developed by the SADC representative in conjunction with the member (or member's representative) and signed by both to document participation in developing the member's plan.

From our audit population, we reviewed a judgmental sample of 15 members' assessments and Person-Centered Service Plans at two of the three SADCs we visited. We found non-compliant files for 14 of the 15 members, totaling $625,360 in payments (see Table 2).

Table 2 – Review of Sampled Person-Centered Service Plans

SADC	Number of Member Files Reviewed	Amount Paid for Services Related to Files Reviewed	Number of Non-Compliant Files	Amount Paid for Services Dated During a Period of Non-Compliance
SADC 1	5	$308,220	4	$139,345
SADC 2	10	756,190	10	486,015
Totals	**15**	**$1,064,410**	**14**	**$625,360**

For example, at SADC 1, one member had an initial assessment dated February 22, 2019; however, we found claims for dates of service as early as January 1, 2019. Therefore, this member did not receive an initial assessment prior to admission to the SADC, as required. Furthermore, this same member's file contained only one Person-Centered Service Plan dated May 23, 2022, which was not signed by SADC personnel. SADC 1 submitted 990 claims totaling $69,005 for this member for services from January 2019 to May 2024, during which time an annual Person-Centered Service Plan had not been completed as required.

In another example, one member who attended SADC 2 for our entire audit scope did not have any acceptable Person-Centered Service Plans. The member's Person-Centered Service Plan dated June 19, 2019 had additional dates of December 20, 2019; June 15, 2020; December 14, 2020; and June 4, 2021 added to the top of the document. The member did not sign for the June 19, 2019 Person-Centered Service Plan or for the additional dates. The member's file contained another Person-Centered Service Plan dated December 2, 2021 with three subsequent dates added in the same manner. Without the member's signature on the Person-Centered Service Plan, there is no evidence the member participated in the development of their Person-Centered Service Plan, as required.

DOH developed an SADC Site Evaluation Tool to assist MLTC plans with conducting thorough annual SADC site visits. The tool states that, to effectively evaluate compliance with required documentation, the MLTC plan should review member files for approximately 10% of its enrolled members at the SADC site during its annual site visits. We reviewed documentation for a sample of nine site visits conducted

by three MLTC plans and found that MLTC plans sampled at least 10% of their members in only two of the nine visits conducted. For example, one MLTC plan that conducted five of the nine site visits averaged a sample review of less than 2% of its total member population. Additionally, DOH's review of Person-Centered Service Plans as part of its Ongoing Monitoring and Compliance process includes only up to three members (provided in advance of the virtual site visit) and does not include review of the initial assessment or prior Person-Centered Service Plans. We note that our record review (for which the sample was not provided to the SADC in advance of our site visit) represented only a small portion of the members who attend these SADCs and yet we found the SADC did not have compliant Person-Centered Service Plans for 14 of the 15 members we reviewed.

Missing Documentation for Services Provided

The NYCRR requires that SADC services be documented but does not specify what is considered sufficient documentation to support that SADC services were provided to members. Generally, DOH's requirements for supporting records documenting Medicaid services provided are outlined in various provider and program manuals. For example, the manual for the Structured Day Program (another HCBS service) states that providers must maintain a member sign-in and sign-out log to document time the member spent at the location. However, DOH does not have a policy describing what documentation is required to support billing for SADC services. Three of the MLTC plans we contacted consider sign-in logs to be sufficient evidence that services were provided; however, MLTC plans do not typically review sign-in logs because they are not included in the SADC Site Evaluation Tool and DOH does not review sign-in logs during its virtual site visits.

All three SADCs we visited used member sign-in logs to document the delivery of services; however, we found that each SADC had a different sign-in procedure for its members, two of which included multiple sign-in logs. For example, according to officials at SADC 3, members sign a daily sign-in log at the front desk and also sign in electronically for billing purposes. We reviewed both the sign-in log and the electronic signatures for our sample and found front desk sign-in logs were missing signatures for 436 of the 1,006 sample days, or 43%. However, SADC 3 did not provide electronic signatures for 68 of the 1,006 (7%) days in our sample. We considered SADC services as unsupported when SADC 3 had neither front desk signatures or electronic signatures. SADC 1 officials stated in initial interviews that their members sign in at the front desk upon arriving at the site, and that a separate sign-in log is brought to the members for signature once they are seated each visit. SADC 1 could not provide the front desk sign-in logs upon request.

In total, we requested member sign-in logs to support a judgmental sample of 92,969 encounter claims submitted by the three SADCs. Our review determined that 7,964 claims (about 9%) were not supported by a sign-in log as outlined in Table 3.

Table 3 – Review of Sampled Sign-In Logs

SADC Name	Number of Sampled Claims	Amount Paid for Sampled Claims	Number of Claims Not Supported by a Sign-In Log	Amount Paid for Claims Not Supported by a Sign-In Log
SADC 1	26,664	$2,583,333	3,763	$354,645
SADC 2	63,991	4,427,895	4,113	315,235
SADC 3	2,314	87,085	88	2,267
Totals	**92,969**	**$7,098,313**	**7,964**	**$672,147**

In addition to the sign-in logs, we reviewed transportation documentation for SADC 2, which purportedly provides transportation to its members to and from the SADC site. For the month of January 2024, SADC 2 billed 4,574 transportation claims totaling $114,350, and we found insufficient support for 21 of 27 days sampled,[1] with 780 claims totaling $19,500 that did not have documentation supporting that the transportation service was provided.

DOH's ability to assess the benefits of the SADC program—as well as its ability to protect Medicaid dollars from waste or abuse—is limited without detailed documentation requirements supporting that services were provided as well as a routine review of what services are provided. In response to our audit, DOH officials stated they will release a policy that MLTC plans must require SADCs to maintain documentation of the delivery of services (as required by NYCRR). However, if the policy doesn't specify what documentation is appropriate, then it is left up to interpretation and the lack of standard measurement creates obstacles to holding MLTC plans and SADCs accountable.

Occupancy Issues

Pursuant to the NYCRR, SADCs must use a facility with sufficient space to accommodate program activities and services and must operate the facility in a manner that prevents hazards to personal safety. To determine compliance with this requirement, DOH recommends the MLTC plan obtain a copy of the Certificate of Occupancy from SADCs. We reviewed the Certificates of Occupancy and other related documentation found on the NYC Department of Buildings' Building Information System for SADC 1 and SADC 2 and found that MLTC plans are not always ensuring SADCs meet requirements.

Certificate of Occupancy Not Obtained by SADC

According to the Database and as observed during our site visits, SADC 1 has two locations in Brooklyn. In 2014, a Certificate of Occupancy—with no maximum occupancy listed—was issued for an ambulatory health care facility at the future site of SADC 1. SADC 1 opened at this site in 2018, and, according to a violation issued in June 2022, the SADC was required to discontinue its illegal occupancy or amend the Certificate of Occupancy. As of November 2024, this violation was still listed as active.

1 SADC 2's transportation log was written in Korean. We compared total members transported to total transportation claims per service day.

For SADC 1's second location, we found work permit data indicating a proposed change to a community facility filed on November 15, 2017 after a complaint of work without a permit was filed on August 25, 2017. Similar to the violation for Site 1, the August 2017 violation for Site 2 stated that a new Certificate of Occupancy was to be obtained; however, as of May 2024, no updated certificate had been issued. For our audit scope, SADC 1 received payments from six MLTC plans totaling over $34.5 million for SADC services provided to 1,738 members.

We reviewed documentation from one MLTC plan for its site visit of SADC 1 and found the SADC site visit forms for 2019 (Site 1), and 2021 through 2023 (Sites 1 and 2) indicated the Certificate of Occupancy had been obtained. However, when we requested it, the MLTC plan could provide us with only a copy of third-party letters on behalf of the SADC, which stated work to obtain a proper Certificate of Occupancy was ongoing. When an SADC facility lacks an appropriate Certificate of Occupancy and permits, DOH cannot be assured that the facilities are safe for Medicaid members.

Maximum Occupancy Exceeded

SADC 2 operates on three floors at a location in Flushing, NY. According to the Certificate of Occupancy for that location, the combined maximum capacity is 323 people. We identified 386 service dates where the number of members in attendance exceeded the maximum capacity allowed (not counting employees). For example, according to encounter claim data, on September 28, 2022, SADC 2 serviced 530 members (totaling $47,255 in payments)—207 over its maximum allowed capacity—as shown in Table 4.

Table 4 – Number of Members With Encounters on September 28, 2022

MLTC	Number of Members
MLTC 1	184
MLTC 2	152
MLTC 3	189
MLTC 4	3
MLTC 5	2
Total	**530**

In response to our audit, DOH officials stated they will release a new policy with details regarding obtaining an appropriate Certificate of Occupancy and will update the suggested SADC Site Evaluation Tool and user guide to instruct the MLTC plans regarding verification of Certificates of Occupancy during the annual evaluation of contracted SADCs. However, as illustrated in Table 4, no single MLTC member count exceeded the maximum allowed capacity on September 28, 2022, which underscores the importance of DOH using encounter data to aid in monitoring SADCs. Furthermore, without a requirement for member sign-in and sign-out logs, DOH cannot reasonably determine if SADCs are complying with Certificate of Occupancy limits.

Weaknesses in the HCBS Sites and Contracts Database

From December 2021 through April 2023, the Database (DOH's tool for monitoring SADC site compliance with the Final Rule), was updated only when DOH learned during an attempt to schedule annual site evaluations that SADCs were closed. During this time, DOH continued reviewing and removing duplicate SADCs from the Database, reducing the number of SADC sites from over 800 to about 400. The Database was not systematically updated until November 2023, when DOH finalized a comparison process between the Database and PNDS data. DOH officials stated this comparison is done quarterly.

DOH's quarterly reconciliation between PNDS data and the existing Database is a manual, multistep process. It involves comparing SADC names and addresses to identify new SADC sites or closures. Names and addresses cannot always be matched systematically because one PNDS file might spell out names while another abbreviates them (e.g., First vs. 1st). Additionally, one file may list an SADC's legal name, and another might list the "Doing Business As" name. Between April and November 2023, DOH developed a script to prepare and normalize data fields in both the Database and PNDS before matching. However, when SADC names do not match, manual research is needed to determine whether the SADC in PNDS is also in the Database under a different spelling, if a site has changed locations, or if it is a different SADC entirely.

DOH could use various other processes and data sources to improve the Database and make monitoring of SADCs more efficient, as outlined below.

Medicaid Provider ID

Generally, all in-network managed care providers, with certain exceptions, must enroll as participating providers in the State Medicaid program. During the enrollment process, DOH screens providers and therefore gains a level of assurance over the provider's validity to provide Medicaid services. This process also allows DOH to verify the provider's credentials and results in a unique provider identification number assigned to each provider. SADC providers are among the exceptions and are not permitted to enroll as Medicaid providers. Therefore, DOH relies on MLTC plans to thoroughly vet their SADC providers. If SADC providers were required to enroll in Medicaid, they would be assigned a provider ID, which could help make the Database more complete. In response to our audit, DOH officials stated that they were currently discussing requiring SADCs to enroll in the Medicaid program.

NPPES

SADC providers are not required to obtain an NPI, assigned through NPPES. However, 672 of 686 (98%) unique SADC provider names identified on claims for SADC services during the audit scope also had a corresponding NPI on the claim. Furthermore, if the provider has an NPI, MLTC plans must report the NPI

on the quarterly PNDS report, and there is an NPI field on DOH's issued SADC Site Evaluation Tool. According to DOH officials, the NPI is not included in the Database because it has not been vetted, as it would be if it were a requirement and the provider enrolled in Medicaid. Including NPIs in the Database would improve transparency by facilitating matches to Medicaid payments and the PNDS. DOH officials stated that requiring SADCs to obtain NPIs would require a change in federal law because SADCs do not meet the Health Insurance Portability and Accountability Act's standard definition of a health care provider, as they do not provide services that are purely medical or clinical in nature.

OMIG SADC Certifications

Through annual Certifications, SADCs attest to compliance with NYCRR minimum requirements for administration and operation and assert that members have access to safe SADC service settings. According to OMIG officials, their sole role in the Certification process is to collect the data, and before our audit, MLTC plan oversight of SADC Certifications was not monitored by DOH or OMIG. In August 2023, we requested DOH's reconciliation of its Database with the Certifications; at that time, no reconciliation had been performed. In September 2023, DOH provided a reconciliation and we identified issues that we brought to its attention. DOH then conducted a secondary manual review of Certifications submitted for 2023, corrected these issues, and subsequently identified 19 sites in the Database that were missing from the Certification data, along with 33 sites that were non-compliant. This discrepancy underscores the need for a unique identifier across all databases used to verify SADC compliance with program regulations.

We conducted a separate reconciliation of the SADCs identified in our audit population to the Certification data we obtained from OMIG. We identified 267 SADCs on encounter claims totaling over $101 million that did not submit a Certificate supporting the year the service was provided in. Furthermore, while DOH's reconciliation process seeks to ensure that SADCs listed in the Database have certified as required, the process does not compare SADCs that have certified to the Database. This is a missed opportunity for additional controls.

NYC Department for the Aging SADC Registration

According to Local Law 9 of 2015, all SADCs operating in New York City are required to register with the NYC Department for the Aging (DFTA). DOH conducted reconciliations of its Database with the DFTA SADC Registry in October 2023 and September 2024. These reconciliations resulted in DOH removing 17 SADCs from its database because the SADCs closed and identifying 11 other SADCs that were not currently registered with DFTA. Further, our review of DOH's comparison identified 122 SADCs in DFTA's SADC Registry that were not in the Database between 2023 and 2024. According to DOH officials, the match is done only to ensure SADCs in the Database are registered with DFTA, and DOH does not review SADCs in DFTA that are not in its Database. We compared the SADCs in our encounter claim population

to DFTA's SADC Registry and identified two SADCs with 3,261 encounter claims totaling $147,650 that were not in the Database as of August 2024.

Furthermore, DFTA is proposing changes to its requirements that, if approved, will include obtaining additional information on SADCs operating within NYC at the time of their registration. If these changes are incorporated, this would make the DFTA SADC Registry an even more valuable tool for DOH oversight.

SADC Encounter Claims

We found that DOH does not monitor encounter claims to identify SADC providers that should be included in its Database. By not using encounter claim data to ensure its Database is complete, the risk is increased that DOH may not be assured that all SADCs receiving Medicaid funds are compliant with State and federal regulations.

For the period December 2021 through October 2024, we identified encounter payments totaling almost $1.7 billion for SADC services. For $4.1 million in payments, the encounter claim did not contain an NPI and, therefore, we did not reconcile them to the Database. For the remaining payments, we identified 460 SADCs. To determine if the 460 SADCs were included in the Database, we used the NPI from the encounter claim and matched it with the NPPES database to determine the name and location of the SADC. We then manually matched the name and location to the Database. Of the 460 SADCs, we found 266 had a matching name and address in the Database, accounting for encounter payments totaling $982,938,273. We found 153 [47+19+87] SADCs (NPIs from encounter claims) that did not have an exact name and address match, and 41 were not in the Database at all, as outlined in Table 5.

Table 5 – Encounter Claims Without an Exact Provider Match in DOH Database

Category	Number of SADCs	Encounter Claim Amount
Matching name/non-matching address	47	$147,029,734
Matching address/non-matching name	19	19,533,786
Matching name/multiple non-matching addresses	87	491,297,949
Name and address not in database	41	6,285,201
Totals	**194**	**$664,146,670**

For example, we found one MLTC plan reported 4,020 encounters totaling $177,397 for an SADC whose name and address were not in the Database. We provided this information to DOH for review and DOH determined that the MLTC plan reimbursing this SADC had entered into a single case agreement with the provider. Because this SADC was not considered to be in-network, the MLTC plan was not required to report the SADC on its PNDS (therefore it was not included in the Database). We provided the claims data to DOH officials for review and they determined that the SADC should be in the MLTC plan's network due to the high volume of encounter claims. DOH subsequently directed the MLTC plan to bring the SADC into its network. Out-of-network SADCs are still required to comply with all program

regulations. However, DOH does not have a process for identifying out-of-network SADCs and, therefore, these SADCs are not included in the Database DOH uses to monitor SADC compliance. Use of encounter claims data could help DOH identify such SADCs and add them to the Database, creating a more complete record for oversight purposes. Furthermore, this SADC submitted an OMIG Certification in March 2023 and DOH could have identified this SADC had it analyzed Certification submissions not in its Database.

In another example, we identified encounter payments totaling $8.9 million from January 2019 through October 2024 for two NPIs with similar SADC names (the only difference was one ending in “Center Inc.” and the other in “LLC”). Each NPI has a unique address (Address A and Address B, respectively) according to NPPES. However, the Database listed only one provider (without “Inc.” or “LLC” in the name) located at Address B, and the Database did not list any variation of the provider name at Address A from the encounter claims. Additionally, the Database listed two entirely differently named providers at Address A. One of these provider names was also linked to a third address (Address C) in the Database, OMIG Certification list, and NPPES, with NPPES and the Database also listing an additional unique name associated with Address C. We identified encounters with the NPIs of the two providers linked to Address C, totaling $25.9 million ($22.2 million + $3.7 million) from February 2022 through October 2024. Based on the NPIs and timing of the claims, it appears that two different providers billed for services at the same location.

Although creating the Database was a key step in improving oversight of SADCs, adding more details from encounter claims and other data sources could help DOH better identify and monitor which SADCs are operating and being paid at specific locations. For the example above, because DOH’s Database lacks NPIs, officials stated they would need to contact the MLTC plans to find out which provider and location submitted claims for services. Not utilizing additional sources of information about SADC sites greatly limits DOH’s oversight and ability to monitor Medicaid spending on SADC services.

As the number of SADCs and the cost of services provided increase annually, it is important to ensure monitoring of the programs keeps pace by improving oversight efforts of compliance with NYCRR and Final Rule requirements and claims payments.

Recommendations

1. Review the $285 million in encounter payments made to SADCs for services provided after their termination from an MLTC’s network. Determine an appropriate course of corrective action, including recoveries, with a priority on the $28.6 million in payments to SADCs terminated for cause.
2. Develop a process to notify all MLTCs of the SADCs that were terminated for cause to ensure member safety and to prevent improper payments.
3. Review the Medicaid payments identified in this audit to SADCs for service dates involving members who did not have a Person-Centered Service

Plan ($625,360), services without a supporting sign-in log ($672,147), and unsupported transportation services ($19,500), and make recoveries as appropriate.

4. Enhance monitoring over SADC services. Such enhancements should include, but not be limited to:
   - Expanding the number of member documents reviewed during site visits.
   - Establishing uniform recordkeeping requirements for SADCs to specify acceptable evidence of attendance and to verify members receive services as outlined in their Person-Centered Service Plans.
   - Utilizing encounter claims data to identify SADCs exceeding maximum occupancy.
5. Ensure that SADC 1 and SADC 2 obtain the proper Certificate of Occupancy or take necessary corrective actions. Additionally, enhance monitoring of MLTC plans to ensure they obtain the proper Certificates of Occupancy before enrolling SADCs in their network.
6. Take the appropriate steps to determine the feasibility of establishing SADCs as an enrollable provider type.
7. Engage stakeholders to evaluate the feasibility of requiring SADCs to obtain an NPI.
8. Utilize all available data to ensure the Database used to identify SADCs for compliance is complete, including those identified in this report (e.g., DFTA and OMIG certifications, along with encounter claims). Include a review of the 41 NPIs that received almost $6.3 million in SADC payments where the billing provider name and address—according to the NPI on the claim—was not in the Database.
9. Determine whether the SADCs associated with Address C are two different entities. If they are, assess the validity of the services billed during the period February 2022 through October 2024 and take appropriate action.

Audit Objective, Scope, and Methodology

The objective of our audit was to determine whether DOH provided adequate oversight of Medicaid MLTC plans to ensure SADCs met program standards. The audit covered the period from January 2019 through October 2024.

To accomplish our audit objective and assess related internal controls, we interviewed officials and gathered information from DOH and MLTC plans. We examined the relevant DOH policies and procedures as well as applicable federal and State laws, rules, and regulations. We used the Medicaid Data Warehouse to identify SADC encounter claims for members enrolled in MLTC plans. We also reviewed Certificates of Occupancy and other related data from the NYC Department of Buildings.

We used a non-statistical sampling approach to provide conclusions on our audit objective and to test internal controls and compliance. We selected judgmental samples. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples, which are discussed in detail in the body of our report, include:

- A judgmental sample of eight MLTC plans (out of 32) based on the number of encounter claims to gain an understanding of their SADC oversight processes. We also obtained termination lists from six of the eight MLTC plans (two MLTC plans did not respond to our request).
- A judgmental sample of nine of 486 SADC reviews based on volume of encounter claims to review site visit documentation maintained by MLTCs for compliance with DOH requirements.
- A judgmental sample of three SADCs (out of 586) based on volume of encounter claims.
  - SADC 1 judgmentally selected due to a high volume of encounter claims.
    - A judgmental sample of five members (out of 1,661 members) with the longest date range of attendance at SADC 1 based on encounter claim data to test Person-Centered Service Plans.
    - A judgmental sample of 1 month in each calendar year totaling 4 months (out of 63 months) to test member sign-in logs totaling 26,664 encounter claims. Due to the COVID-19 pandemic public health emergency, many SADCs were not providing in-person services and, therefore, we excluded the year 2020.
  - SADC 2 judgmentally selected due to a high volume of encounter claims.
    - A judgmental sample of 10 members (out of 1,832 members) with the most service dates at SADC 2 based on encounter data to test Person-Centered Service Plans.
    - A judgmental sample of 6 months (out of 64 months) with the most encounter payments for each year and an additional five members (out of 53) with additional risk factors according to encounter data, to test member sign-in logs, totaling 63,991 encounter claims.

- SADC 3 judgmentally selected due to a lower volume of encounter claims.
  - A judgmental sample of 15 (out of 990) service dates with the most members in attendance in each calendar year based on encounter data, to test member sign-in logs, totaling 2,314 encounter claims.

We obtained data from the Medicaid Data Warehouse and, based on work performed by OSC, we determined it was sufficiently reliable for the purposes of this audit. We also obtained information from DOH's Database, and based on our audit work, we determined it was neither complete nor accurate, as detailed in our report.

Statutory Requirements

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. These duties may be considered management functions for the purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct this independent performance audit of DOH's oversight of social adult day care programs.

Reporting Requirements

We shared our methodology and claims findings with DOH and OMIG officials during the audit for their review. We took their comments into consideration and adjusted our analysis as appropriate. We provided a draft copy of this report to DOH officials for their review and formal comment. We considered DOH's comments in preparing this report and have included them in their entirety at the end of the report. Our response to certain DOH comments is included in a State Comptroller's Comment. In their response, DOH officials generally concurred with the audit recommendations and indicated that certain actions have been and will be taken to address them.

Within 180 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Health shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Agency Comments and State Comptroller's Comment

NEW YORK STATE | Department of Health

KATHY HOCHUL
Governor

JAMES V. McDONALD, MD, MPH
Commissioner

JOHANNE E. MORNE, MS
Executive Deputy Commissioner

September 30, 2025

Christopher Morris, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236-0001

Dear Christopher Morris:

Enclosed are the Department of Health's comments on the Office of the State Comptroller's Draft Audit Report 2023-S-21 entitled, "Medicaid Program: Oversight of Social Adult Day Care Programs."

Thank you for the opportunity to comment.

Sincerely,

Johanne E. Morne

Johanne E. Morne, M.S.
Executive Deputy Commissioner

Enclosure

cc: Melissa Fiore
Amir Bassiri
Jacqueline McGovern
Jennifer Danz
James Dematteo
James Cataldo
Brian Kiernan
Timothy Brown
Amber Gentile
Michael Lewandowski
OHIP Audit
DOH Audit

Empire State Plaza, Corning Tower, Albany, NY 12237 | health.ny.gov

Department of Health Comments on the Office of the State Comptroller's Draft Audit Report 2023-S-21 entitled, "Medicaid Program: Oversight of Social Adult Day Care Programs"

The following are the Department of Health's (Department) comments in response to the Office of the State Comptroller's (OSC) Draft Audit Report entitled, "Medicaid Program: Oversight of Social Adult Day Care Programs." Included in the Department's response is the Office of the Medicaid Inspector General's (OMIG) replies to applicable recommendations. OMIG conducts and coordinates the investigation, detection, audit, and review of Medicaid providers and recipients to ensure they are complying with the laws and regulations.

General Comments

The following comments address specific statements made in the draft audit report.

Audit Scope, Objective, and Methodology, Page 20, 3rd Paragraph

We used a non-statistical sampling approach to provide conclusions on our audit objective and to test internal controls and compliance. We selected judgmental samples. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations, even for our judgmental samples.

Department Response to OSC's Use of Judgmental Samples

Judgmental sampling is based on a found problem. It doesn't accurately measure how many problems you have or how widespread they are. This method involves selecting specific cases based on the auditor's judgment rather than using a statistically valid, random sample. Such an approach is inherently prone to selection bias, meaning the resulting findings cannot be generalized to the broader population and may overstate the prevalence of any identified issues.

State Comptroller's Comment – DOH's statement is misleading. Random and judgmental samples—in this case, selected to gain clarification and focus on the highest risk—are routinely used and widely accepted to reach audit conclusions. During the audit, auditors used professional judgment and knowledge of the Medicaid program to focus resources on areas of highest potential risk, using our judgmental samples to identify which of those areas actually had problems. As mentioned in the audit report, the sample reviews were supplemented with reviews of regulations and policies and procedures, interviews with various DOH and MCO officials, assessments of internal controls, and data analysis to reach audit conclusions and recommendations.

Audit Recommendation Responses

Recommendation #1

Review the $285 million in encounter payments made to SADCs for services provided after their termination from an MLTC's network. Determine an appropriate course of corrective action, including recoveries, with a priority on the $28.5 million in payments to SADCs terminated for cause.

Response #1

Based upon guidance issued and in collaboration with the Department, OMIG will continue analyzing the OSC-identified payments and determine an appropriate course of action.

Recommendation #2

Develop a process to notify all MLTCs of the SADCs that were terminated for cause to ensure member safety and to prevent improper payments.

Response #2

Per Article VIII, Section F(v.) of the Partial Capitation model contract and Section 18.5(v) of the Medicaid Advantage Plus model contract, Managed Long Term Care (MLTC) Plans are required to report monthly to OMIG, for Participating Providers who are terminated "for cause", defined as including fraud, waste and abuse, integrity, and quality. When OMIG determines that an entity should be excluded from Medicaid, that change would be posted to the Medicaid exclusion website. In collaboration with the Department, OMIG is developing a process to notify all MLTC plans of the Social Adult Day Cares (SADC) that were terminated for cause.

Recommendation #3

Review the Medicaid payments identified in this audit to SADCs for service dates involving members who did not have a Person-Centered Service Plan ($625,360), services without a supporting sign-in log ($672,147), and unsupported transportation services ($19,500), and make recoveries as appropriate.

Response #3

The Department will provide additional guidance for SADC Programs monitoring to MLTCs.

Based upon guidance issued and in collaboration with the Department, OMIG will continue analyzing the OSC-identified payments and determine an appropriate course of action.

Recommendation #4

Enhance monitoring over SADC services. Such enhancements should include, but not be limited to:

- Expanding the number of member documents reviewed during site visits.
- Establishing uniform recordkeeping requirements for SADCs to specify acceptable evidence of attendance and to verify members receive services as outlined in their Person-Centered Service Plans.
- Utilizing encounter claims data to identify SADCs exceeding maximum occupancy.

Response #4

The Department will update the suggested SADCs site evaluation tool and corresponding user guide to provide additional guidance to the MLTC Plans regarding monitoring and oversight requirements during the initial and annual evaluation of contracted SADC Programs.

Recommendation #5

Ensure that SADC 1 and SADC 2 obtain the proper Certificate of Occupancy or take necessary corrective actions. Additionally, enhance monitoring of MLTC plans to ensure they obtain the proper Certificates of Occupancy before enrolling SADCs in their network.

Response #5

The Department will notify the MLTC Plans contracted with SADC 1 and SADC 2 regarding the need for an acceptable certificate of occupancy. The Department will review the suggestions, consider changing surveillance processes to enhance monitoring, and determine any actions needed. The Department will also update the Suggested Social Adult Day Care Programs site evaluation tool and corresponding user guide to provide additional guidance to the MLTC Plans regarding monitoring and oversight requirements during the initial and annual evaluation of contracted SADC Programs.

Recommendation #6

Take the appropriate steps to determine the feasibility of establishing SADCs as an enrollable provider type.

Response #6

The Department is continuing discussions regarding the feasibility of this recommendation.

Recommendation #7

Engage stakeholders to evaluate the feasibility of requiring SADCs to obtain an NPI.

Response #7

The Department will engage stakeholders on the feasibility of implementing a National Provider Identifier (NPI) requirement.

Recommendation #8

Utilize all available data to ensure the Database used to identify SADC Programs for compliance is complete, including those identified in this report (e.g., DFTA and OMIG certifications, along with encounter claims). Include a review of the 41 NPIs that received almost $6.3 million in SADC payments where the billing provider name and address—according to the NPI on the claim—was not in the Database.

Response #8

The Department will review the data provided in this audit and identify root causes and appropriate next steps.

Recommendation #9

Determine whether the SADCs associated with Address C are two different entities. If they are, assess the validity of the services billed during the period February 2022 through October 2024 and take appropriate action.

Response #9

The Department will review the information provided associated with Address C and determine if additional actions are required.

Contributors to Report

Executive Team

Andrea C. Miller - *Executive Deputy Comptroller*
Tina Kim - *Deputy Comptroller*
Stephen C. Lynch - *Assistant Comptroller*

Audit Team

Andrea Inman - *Audit Director*
Christopher Morris - *Audit Director*
Rebecca Chromey - *Audit Supervisor*
Wendy Matson - *Audit Supervisor*
Jeanne Hui - *Senior Examiner*
James Male - *Senior Examiner*
Andrea Majot - *Supervising Editor*

Contact Information
(518) 474-3271
StateGovernmentAccountability@osc.ny.gov
Office of the New York State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

For more audits or information, please visit: www.osc.state.ny.us/state-agencies/audits