

Clinics prey on mentally disabled - State looks closely at storefront sites

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Diane is one of New Jersey's forgotten people: chronically mentally ill, poor, unemployed, always trying to improve her situation, but not really able.

So when recruiters for a new storefront mental health center worked her like a hot prospect, the 50-year-old was surprised but willing. A van picked her up at her Essex County home and took her home, but she decided after one day not to return. The place struck her like "an entertainment center."

Yet the marketer kept calling, pressing her to sign up.

"It felt like they really wanted me to join," said Diane, who did not want her last name used. "You could tell in their voice, they were enthusiastic about wanting me."

The program is one of a score of clinics under scrutiny by the New Jersey Department of Human Services. The investigation began last fall with complaints that clinic operators used high-pressure tactics to enroll vulnerable mental patients and offered activities of limited therapeutic value. The probe has since blossomed into a full-scale investigation into possible fraud. Surveillance and interviews suggest that some operators were spending less time on therapy than claimed.

Today, the department is seeking to recover more than \$4 million from four centers, claiming overbilling. It also shut down two of the centers, following site visits that revealed illegal or unsafe conditions. Another 11 programs are under investigation.

Officials were so appalled by what they have seen that they they have tightened licensing procedures, required operators to seek authorization before billing, and mandated inspections of facilities.

"There wasn't a lot of policing, until these allegations came up," said Margaret Murray, director of New Jersey Medicaid, the medical insurance program for the poor. "We realized we had to make some changes."

Many of the people the new clinics treat once lived in state hospitals critics called snakepits. Now, on their own and living in boarding homes, they are ripe for new forms of exploitation, advocates say.

"When people are just recovering from a mental illness, they tend to be fragile and fairly submissive," said Jeanne Wurmser, president of CPC Behavioral Health Care in Marlboro Township, whose staff has lost longstanding clients to the newer programs. If asked or ordered to attend a clinic, she said, "They may be afraid to say 'No,' afraid of repercussions."

In New Jersey, the number of seriously mentally ill adults is estimated at about 141,000.

Virtually all of the men and women recruited to the new mental health programs are poor and unemployed. Most receive \$545-a-month disability checks from Social Security, and live in boarding homes. Medicaid pays for their health care.

Traditionally, nonprofit community-based mental health centers have served this group, providing therapy and counseling. Until recent years, the state controlled their numbers by requiring them to be approved by a certificate of need.

But health care reforms deregulated the industry and opened it up to competition. Since 1995, the number of partial-care programs has nearly doubled.

So has the cost borne by taxpayers. Medicaid paid these partial-care providers \$30 million three years ago; today the price tag is \$57 million.

The first complaints that reached the state about the new providers alleged that they lured clients with offers of cigarettes or candy, and "treated" them with Bingo games, prizes and trips to Dunkin Donuts or McDonald's. The law requires them to provide "intensive support to prevent hospitalization and relapse," including case management, job counseling and psychiatric services.

Medicaid pays providers \$77 per day, per client, for day treatment. In mental health parlance, the programs provide "partial care," or five hours daily.

Some of the complaints came from administrators of traditional community mental health centers, who claimed the new operators were

raiding their caseloads without consulting them or asking for medical files. Others came over the department hotline for fraud and abuse.

Administrators of the traditional centers criticized the new competition as substandard.

"These newer storefront-type operations that have sprung up are not necessarily legitimate providers. They're going to the boarding home operators and essentially saying, 'These people are hanging around, we can take them off your hands,'" said Debra Wentz, executive director of the New Jersey Association of Mental Health Agencies in Manasquan.

In a series of civil actions, **New Jersey is seeking to recover more than \$1 million in overpayments from each of the following programs:** Social Clubhouse in Springfield; Discovery House in Toms River, Phillipsburg and Greenwich Township; **and Kids of North Jersey in Secaucus.** All three cases are pending in the civil courts.

Medicaid is also negotiating terms of repayment from a fourth provider, Medallion Care, with programs in Clifton, Hightstown and Ewing Township.

The owners of Social Clubhouse and Discovery House did not return repeated phone calls.

Miller Newton, owner of Kids of North Jersey, "sold his residence in New Jersey, sold the furniture and went out of the state. We have not heard from him since the end of 1998," said Dennis Doderer, a Human Services official.

Ari Lutz, manager of Medallion Care and a boarding home owner, said his firm had "a good track record."

"We keep them out of hospitals," he said. "They move on to get jobs. From all the (boarding) homes we go to, we get positive responses."

Discovery House is owned by Donald Oh, a psychiatrist. Oh was treating adults and children in three offices, only one of which was licensed, officials said. In his Toms River office, children - including wards of the N.J. Division of Youth and Family Services - were treated in a dirty and dangerous setting, Medicaid officials said. Two of the offices were closed by the state and Oh shut the third on his own, state officials said.

Kids of North Jersey in Secaucus, also defunct, was run by Newton, a highly controversial drug addiction counselor who has operated programs in several states.

Since the 1980s, Newton has withstood repeated accusations of abusing clients, including some in Hackensack. He denied them.

Despite Newton's payment to federal authorities to settle a fraud claim, in 1993 the state Division of Mental Health licensed Kids of North Jersey as a children's partial-care clinic.

When investigators visited the clinic, they found a different type of practice. Newton was treating clients for drug abuse and eating disorders in a "boot camp type" environment, investigators said. They pulled the license.

"We had never come across anything like this before," said Doderer. "We were pretty repulsed by it."

The problem is national. Pope Simmons, head of the National Community Behavioral Health Care Council in Washington, D.C., said: **"Any time you have large programs like Medicaid or Medicare, you'll find people willing to make a quick buck."**

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