Office of Institutional Compliance and Audit Services

UT Southwestern Medical Center

Hospital Billing and Professional Billing Charge Description Master Audit

Internal Audit Report 23:17

October 20, 2023

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Executive Summary – Background, Project Scope, and Objectives

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The revenue cycle consists of several interrelated components that are necessary to ensure appropriate billing and reimbursement following the provision of patient care. One of the primary components of the revenue cycle includes the accuracy and maintenance of the Charge Description Master (CDM). The CDM is a fundamental part of reimbursement, as it provides many of the necessary data elements for compliant claims submission to payers for reimbursement of services, including UB-04 revenue codes, charge or service codes, narrative charge descriptions, HCPCS / CPT codes and modifiers, and gross charge amounts for both Hospital Billing (HB) and Professional Billing (PB). The accuracy of these data elements serves as a link between service delivery, billing, and optimal reimbursement.

Routine maintenance of the CDM includes the implementation of annual HCPCS / CPT code changes, the addition of charges applicable to new programs and procedures at the hospital, the elimination of incorrect or outdated codes and other data elements, and the validation of proper interfacing between applicable systems. An effective CDM maintenance process supports accurate pricing and charges for services and procedures and can ultimately increase savings and financial performance for the organization. Decision Support performs HB and PB CDM maintenance and analysis by implementing annual updates, coordinating with various departments on new CDM requests and identifying CDM items no longer used, and entering CDM updates in the Epic proof of concept (POC) system. Information Resources (IR) then integrates the updates from Epic POC to Epic production so that CDM items can be selected by various departments when entering charges. These various teams play a vital role in the overall revenue cycle function. Each team's responsibilities for maintaining the HB and PB CDMs are outlined in Appendix A.

The Office of Institutional Compliance and Audit Services has completed its HB and PB Charge Description Master Audit. This was a risk-based audit and part of the fiscal year 2023 Audit Plan.

The audit scope period included the active HB and PB CDMs as of June 30, 2023 and the Machine-Readable File (MRF) posted as of March 31, 2023. Supply and pharmacy services were not included in the scope of this review. Audit procedures included interviews with stakeholders, review of policies and procedures and other documentation, substantive testing, and data analytics.

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Fieldwork was initiated, performed, and completed during July, August, and September 2023 and consisted of the following primary objectives:

- CDM Maintenance and Monitoring: Assessed CDM maintenance and monitoring processes (e.g., duplicate charge codes, invalid / deleted / modified / inactive Current Procedural Terminology (CPT) / Healthcare Common Procedure Coding System (HCPCS) codes, etc.) for HB and PB procedures, items, and services to evaluated alignment with policies / procedures and verified appropriate controls are in place to confirm that updates are made timely, completely, and accurately.
- CDM Pricing Analysis: Analyzed the current HB and PB CDMs to identify potential pricing opportunities in relation to reference sources (e.g., Medicare Fee Schedule, Machine Readable File, etc.) reimbursement rates and evaluate that applicable CDM changes are made timely, completely, and accurately.
- CDM and Revenue and Usage Analysis: Compared the current HB and PB CDMs and revenue and usage data to identify any potential integrity discrepancies, maintenance opportunities, charge variances, inactive codes, description discrepancies, etc. between the two sources.

Executive Summary – Conclusion and Improvement Opportunities

Overall, several strengths are demonstrated in terms of the preservation of UTSW's CDM system and the different policies and procedures used to maintain the quality of the CDM, including the utilization of ServiceNow to ensure CDM change requests are formally submitted and tracked, scheduling reports made to monitor the turnaround times for change request tickets received in effort to control the timeliness of tickets resolved, and the auditing of CDM ticket requests received to continuously sustain the comprehensive CDM quality. However, opportunities exist for UTSW to continuously integrate the most recent Medicare fee schedule pricing updates to ensure that the maximum reimbursement rate from payers is consistently received, to make sure that quality assurance policies and procedures are maintained for both HB and PB CDMs to maintain overall integrity and consistent charging, and to persist in the auditing and reviewing of change request tickets to promote the completion of tickets accurately and timely.

Included in the table below is a summary of the observations noted, along with the respective disposition of these observations within the Medical Center internal audit risk definition and classification process. See Appendix B for Risk Rating Classifications and Definitions.

Priority (0)	High (0)	Medium (1)	Low (2)	Total (3)

Key observations are listed below.

- **Pricing Opportunities** – Opportunities exist to update pricing in both the HB and PB CDMs to ensure maximum reimbursement from Medicare and other payers. Potential gaps were identified in which both the HB and PB CDMs have items priced below the applicable Medicare fee schedule. Additionally, there are line items in the PB CDM that have a price associated with them, but they have a $0 charge within Epic.

Management has plans to address the issues identified in the report and in some cases have already implemented corrective actions. Action Plan Owners are designated individuals responsible for implementing the issue resolution. Action Plan Executives are individuals responsible for overseeing or managing the issue resolution. Executive Sponsors are Senior Leadership members who are responsible for ensuring the identified issue is resolved. These responses, along with additional details for the key improvement opportunities identified above are listed in the Observations and Action Plans Matrix (Matrix) section of this report.

Observations and Action Plans Matrix

UTSouthwestern Medical Center

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 1. **Pricing Opportunities** Opportunities exist to update pricing in both the Hospital Billing (HB) and Professional Billing (PB) Charge Description Masters (CDMs) to ensure maximum reimbursement from Medicare and other payers. Additionally, there are line items in the PB CDM that have a price associated with them, but they have a $0 charge within Epic. Internal Audit compared the July 2023 HB CDM to the July 2023 Medicare Outpatient Prospective Payment System (OPPS) Addendum B, Medicare Clinical Laboratory Fee Schedule, and ASP Pricing File and identified the following: • 78 of 3,035 HB CDM items found in Medicare OPPS Addendum B (~3%) were priced below the Medicare reimbursement rate. ○ 17 of 78 HB CDM items (~22%) were utilized during our testing period and have a payment status indicator of 'paid under OPPS' that equates to a potential annual gross revenue opportunity of ~$52K. It should be noted that this is a gross revenue impact, and there will not be a net revenue impact for payers that pay based on the ambulatory payment classification (APC) methodology; where the APC amount is paid regardless of gross charge submitted. ○ 61 of 78 HB CDM items (~78%) were utilized during our testing period and have a payment status indicator of 'packaged' that did not equate to a potential annual gross revenue opportunity.	Decision Support leadership should: 1. Review the HB and PB CDM line items that are priced lower than the Medicare payment rate to better understand if additional reimbursement is possible. This information should be leveraged in combination with market considerations to determine if procedure pricing should be updated. 2. Review the PB CDM line items that do not have a charge within Epic but have a charge on the PB CDM to confirm that this is accurate. 3. Select and begin to utilize a CDM compliance / management software to support both the HB and PB CDM pricing strategies.	**Management Action Plans:** 1. Review the HB CDM procedure line items that are priced below Medicare. One line item was updated in July 2023 and two-line items were created in July 2023 with the pricing information available at that time. Complete 2. Review the HB CDM lab line items that are priced below Medicare and identified that prices were based on invoices since the tests are sent to a third-party Reference Laboratory. The price will be set at the minimum Medicare reimbursement rate. Complete 3. Select a CDM management software. Complete 4. Reach out to departments where items have a price in the PB CDM but have a $0 charge within Epic to confirm this is accurate because the items are service line codes, and patients potentially bring in the drug so there should not be a charge. One was noted by the department as a $0 charge within Epic by mistake, and these records have been identified and corrected. Complete 5. Review the PB CDM line items that are priced below Medicare and identified two-line items that are being overridden by department users and have reached out to department leaders to understand the reason for this process. The other line item was not billed to Medicare in the past year, but the price will be reviewed. Prices will be added on the two-line items in the Uniform Fee Schedule. October 31, 2023

Observation	Recommendation	Management Response
• 3 of 856 HB CDM items found in the Medicare Clinical Laboratory Fee Schedule (< 1%) were priced below the Medicare reimbursement rate and utilized during our testing period that equates to a potential annual gross revenue opportunity of ~$14.5K. This can lead to potential net revenue impacts by Medicare and other payers that pay at the lesser of charge. o 2 of 3 PB CDM items (~66%) had instances in which the price was overridden by the end-user in Epic. Internal Audit compared the July 2023 PB CDM to the Texas (Dallas Locality) Medicare Physician Fee Schedule and identified the following: • 3 of 7,901 PB CDM items found in the Texas (Dallas Locality) Medicare Physician Fee Schedule (<1%) were priced below the Medicare reimbursement rate and utilized during our testing period that equates to a potential annual gross revenue opportunity of ~$45K. ▪ 5 items found in the PB revenue and usage report were listed with a $0 charge within Epic but have a charge greater than $0 in the PB CDM, which equates to a potential annual gross revenue opportunity of ~$143K. It should be noted that these were drugs brought in by the patient which should not have a charge associated with the item on the claim.		6. All prices are reviewed annually and set based on volumes and using a standardized pricing methodology across the CDM. January 31, 2024 **Target Completion Dates:** October 31, 2023 January 31, 2024 **Action Plan Owner(s):** Stacy Simmons, Manager Revenue Integrity Vanessa Elsworth, Assistant Director Revenue Integrity **Action Plan Executive(s):** Terry Neal, Director Decision Support **Executive Sponsor(s):** Mark Meyer, Health Systems Chief Financial Officer
Risk Rating: Low 🟢 2. **CDM Integrity and Maintenance** Opportunities exist to improve the accuracy and completeness in both the HB and PB CDMs to ensure overall integrity and consistent charging.	Decision Support leadership should: 1. Continue to audit ServiceNow tickets on a defined cadence ensuring the appropriate updates were made within the active HB and PB CDMs.	**Management Action Plans:** 1. Select a CDM management software. Complete

Observations and Action Plans Matrix

Observation	Recommendation	Management Response

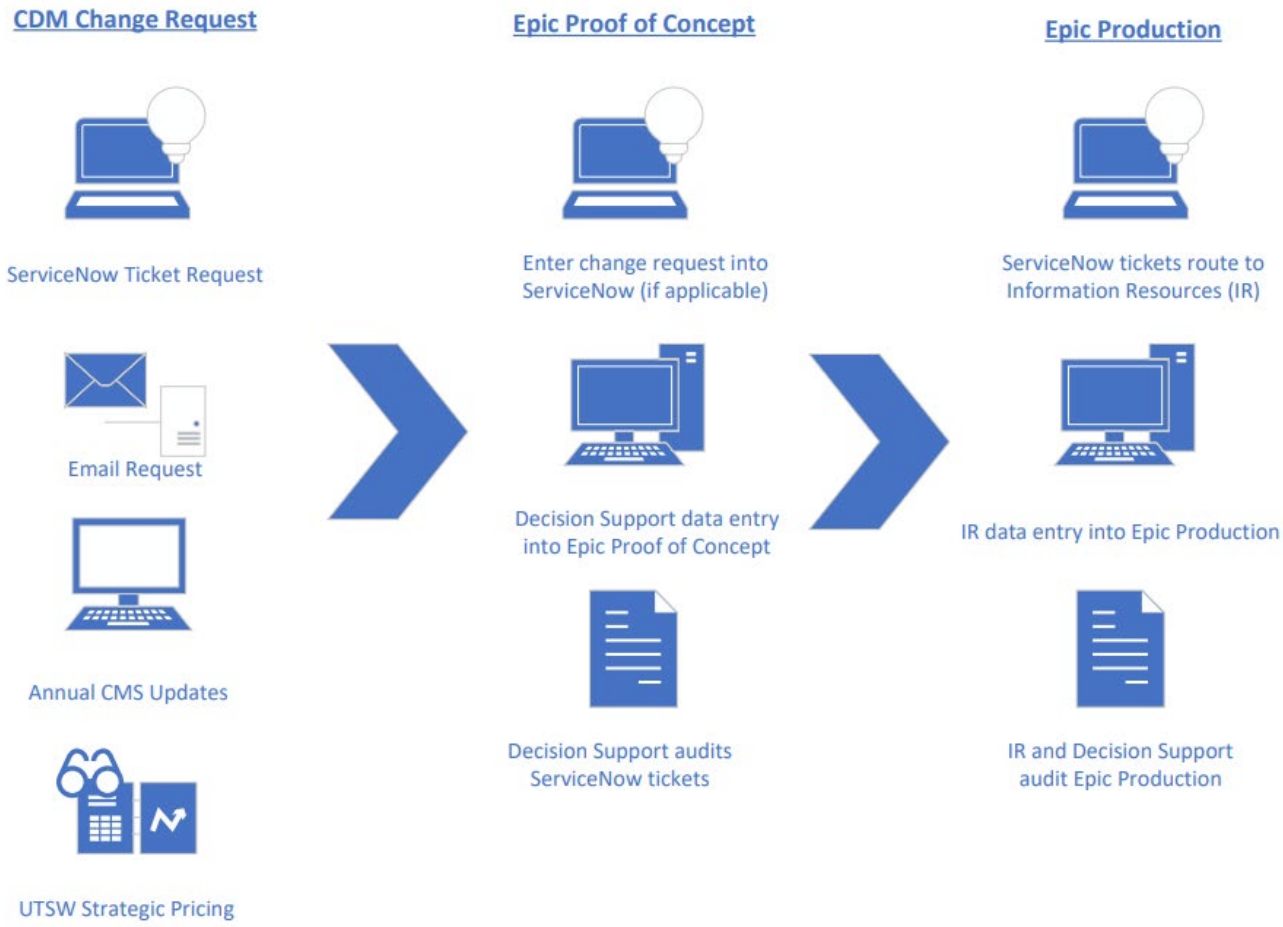
Internal Audit compared the July 2023 HB CDM to the July 2023 Medicare OPPS Addendum B and identified the following maintenance opportunities:
• 728 of 3,651 active charge codes in the HB CDM (~20%) had $0 charges and no usage per the revenue and usage reports.
  ○ 30 of 728 (~4%) active charge codes with no usage were also priced below the Medicare OPPS Addendum B.
  ○ 119 of 728 (~16%) active charge codes were Home Health line items.
• 4 of 3,651 active charge codes in the HB CDM (<1%) were retired Medicare codes. The items did not have usage post Medicare retired date per the revenue and usage reports.
• 2 of 3,651 active charge codes in the HB CDM (<1%) were assigned to the incorrect Billing Category.
• 1 of 3,651 active charge codes in the HB CDM (<1%) was assigned to the incorrect Revenue Code.
Internal Audit compared the July 2023 PB CDM to the Texas (Dallas Locality) Physician Fee Schedule and identified the following maintenance opportunities:
• 18,739 of 33,119 active procedure charge codes in the PB CDM (~57%) had $0 charges and no usage per the revenue and usage reports. Previous PB CDM management had decided to not inactivate then delete procedure charge codes; however, current PB CDM management will implement this process.
	2. Trend the ServiceNow tickets on a defined cadence to ensure tickets are resolved within management's expectations and identify root causes for tickets not closed within that timeframe.
	3. Evaluate utilizing a CDM compliance / management software to monitor and track CDM change requests.
		2. The four active charge codes that are retired Medicare codes in the HB CDM will have an 'effective to date' added to the line item. October 31, 2023
		3. The two incorrect billing categories are under review. One was updated to the appropriate category. October 31, 2023
		4. The incorrect revenue code line item was updated to the appropriate revenue code. October 31, 2023
		5. Add the 'Effective To' date for retired Medicare codes that are still listed as active in the PB CDM. October 31, 2023
		6. The PB CDM line items with no usage are being reviewed to ensure that they are categorized appropriately as chargeable items or if they should be orderable items. January 31, 2024
		7. The zero volume charge records are reviewed each year in January during the Chargemaster reviews with the clinical departments for possible inactivation. Decision Support will be pulling reports the first week of January 2024 and distribute to each department for review for both HB and PB CDM line items with zero usage. January 31, 2024
		8. The HB CDM line items with a price that did not align to the MRF were due to a timing discrepancy, and leadership will update the MRF file and publish a new version after the annual pricing review is complete. February 29, 2024

Observation	Recommendation	Management Response
○ 1 of 18,746 (<1%) active charge code with no usage was also priced below the Texas (Dallas Locality) Medicare Physician Fee Schedule. • 5 of 33,119 active charge codes in the PB CDM (<1%) were retired Medicare codes. The items did not have usage during the testing period. • 1 of 33,119 active charge codes in the PB CDM (<1%) was listed incorrectly as an orderable item instead of a chargeable item. Internal Audit also compared the July 2023 HB CDM to the MRF file uploaded as of March 31,2023 and identified the following: • 35 of 8,640 procedure codes listed on the MRF (<1%) have varying prices compared to the HB CDM. All discrepancies were due to the HB CDM price was updated after the published date of the MRF, and the MRF must be updated annually. ○ 12 of 35 procedure codes have a higher price on the HB CDM compared to the MRF. ○ 23 of 35 procedure codes have a lower price on the HB CDM compared to the MRF.		**Target Completion Dates:** October 31, 2023 January 31, 2024 **Action Plan Owner(s):** Stacy Simmons, Manager Revenue Integrity Vanessa Elsworth, Assistant Director Revenue Integrity **Action Plan Executive(s):** Terry Neal, Director Decision Support **Executive Sponsor(s):** Mark Meyer, Health Systems Chief Financial Officer
Risk Rating: Low 🟢 3. **CDM Change Request Process Timeliness** There are instances in which CDM ticket request changes are not incorporated into the HB and/or PB CDMs timely (i.e., within one week of ticket request submission). Internal Audit reviewed a targeted sample of HB and PB CDM requested changes submitted via ServiceNow to ensure the requests were made completely and timely and identified the following:	Decision Support leadership should: 1. Continue to audit ServiceNow tickets on a defined cadence ensuring the appropriate updates were made within the active HB and PB CDMs. 2. Trend the ServiceNow tickets on a defined cadence to ensure tickets are resolved within management's expectations and identify root causes for tickets not closed within that timeframe.	**Management Action Plans:** 1. Continue to audit ServiceNow tickets to validate that applicable change requests are implemented into the CDMs. 2. Continue to receive a weekly schedule report from ServiceNow that displays turn-around-times for tickets. Review the dashboard to identify trends, and potential need for training.

Observations and Action Plans Matrix

Observation	Recommendation	Management Response
• 1 of 10 CDM change requests (10%) was not completed timely, with a timeframe of 24 days to integrate the ticket request to the CDM. Internal Audit reviewed the entire population of CDM ticket request changes from January 2023 to July 2023, and noted that the average time to complete requests is ~2 days, which is within management's and industry expectations.	3. Evaluate utilizing a CDM compliance / management software to monitor and track CDM change requests.	3. Evaluate VitalWare's change request process and monitoring compared to ServiceNow. **Target Completion Dates:** December 31, 2023 **Action Plan Owner(s):** Stacy Simmons, Manager Revenue Integrity Vanessa Elsworth, Assistant Director Revenue Integrity **Action Plan Executive(s):** Terry Neal, Director Decision Support **Executive Sponsor(s):** Mark Meyer, Health Systems Chief Financial Officer

Appendix A – CDM Maintenance and Update Process



Appendix B – Risk Classifications and Definitions

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Each observation has been assigned a risk rating according to the perceived degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management. The following chart is intended to provide information with respect to the applicable definitions, color coded depictions, and terms utilized as part of our risk ranking process:

Degree of Risk and Priority of Action	
Priority	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college / school / unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college / school / unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college / school / unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.