



UT System Administration Policy Library – Policy UTS155  
**Policies and Procedures Regarding  
MSRDP/DSRDP/PRS/AHRDP Business  
Operations**

Responsible Officer: Executive Vice Chancellor for Health Affairs

Sponsoring Office: Office of Health Affairs

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Errors or changes to: [policyoffice@utsystem.edu](mailto:policyoffice@utsystem.edu)

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## **POLICY STATEMENT**

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In view of increasing demands for accountability and growing complexity, it is the management philosophy of the UT System to encourage uniformity at the policy level and institutional autonomy, initiative, and creativity at the operational level. This policy outlines System policy concerning general operation of medical practice plans and addresses specific procedures for operating reserves and operating manuals.

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## **RATIONALE**

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The practice plans of The University of Texas System health institutions are trust funds created by the Board of Regents. Beneficiaries of the trust funds are the members of the plans whose professional fees make up the corpus of the trusts and the institutions themselves which receive development funds from the plans.

Efficient and effective medical practice plan business operations are essential to the maintenance of high quality programs, and have thus become critical to the financing of UT System health institutions. These practice plans provide the key supplemental funding needed to attract and retain clinicians who are at the top of their specialties. Without the competitive compensation, discretionary research funding, challenging clinical practice, and modern equipment provided by practice plans, the six University of Texas System health institutions would not be able to remain in the forefront of teaching, research, and patient care.

The complexity of medical practice plan business operations is rapidly increasing as the documentation and procedural requirements of Medicare, Medicaid, and insurance carriers become more intricate. Although practice plan assets are essentially trust funds consisting of professional fee income assigned by faculty members, these funds are subject to the same controls and scrutiny as other institutional monies. Consequently, practice plans are accountable to many entities on matters ranging from general management philosophy to technical and clerical procedures.

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## **SCOPE**

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All Health Institutions in the UT System

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## WEBSITE ADDRESS FOR THIS POLICY

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<http://www.utsystem.edu/policy/policies/uts155.html>

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## RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

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UT System Administration Policies & Standards	Other Statutes, Policies & Standards
<a href="#">UTS154, General Policies for Accounts Receivable Management of Faculty Practice Plans</a>	

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## CONTACTS

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If you have any questions about UT System Administration Policy UTS 155 Policies and Procedures Regarding MSRDP/DSRDP/PRS/AHRDP Business Operations, contact the following offices:

Subject	Office Name	Telephone Number	Email/URL
	Office of Health Affairs	(512) 499-4224	<a href="http://www.utsystem.edu/HEA/">http://www.utsystem.edu/HEA/</a>

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## DEFINITIONS

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None

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## RESPONSIBILITIES

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### Executive Director of the Plan

- Is the general administrative officer of the plan.

- Evaluates existing manuals against guidelines and periodically compares and contrasts policy manuals for comprehensiveness, clarity, and usefulness.

### **Budget and Finance Committee**

- Prepares the fee schedule for billing purposes.

### **Board of Regents**

- Authorizes Fringe Benefits.
- Annually approves system-wide compensation limits, both from state appropriations and practice plan funds.
- Appoints a compliance officer and develops a compliance plan
- Approves amendments to operating budgets of the plans.

### **UT Institution**

- Annually submits a proposed revenue and expenditure budget for its practice plan, using categories defined by System Administration.
- Insures that MSRDP/DSRDP/PRS/AHSRDP income and expenditures are audited.
- Requests that the Board of Regents authorize the creation of permanent endowments to support research, education, and institutional development from funds that substantially exceed the required fund balance of 90 days of operating expenses.
- Prepares an annual report to the President, detailing by each approved expenditure category how much has been spent.

### **Employee Seeking Reimbursement**

- Signs request for reimbursement after reviewing for accuracy.
- Documents charges indicating the number of persons entertained and their function, title or name. Turns in all documentation with reimbursement request.

### **Office of the Chancellor**

- Annually reviews the list of allowable fringe benefits and makes amendments as necessary.
- Transfer this information directly from your policy proposal.

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# PROCEDURES

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## 1. POLICY SUMMARY

System-wide practice plan policies are articulated through a common format for bylaws, through board approval of annual budgets, through System accounting and managerial standards, through System budget rules, and through administrative decisions of the Office of Chancellor. The major policies falling under each of these five categories are outlined as follows:

### 1.1 Common Bylaw Format

- a) Enrollment of full-time clinical staff and uniform acceptance of the standard contract assigning professional income to the plan are mandatory.
- b) An institutional trust fund is established within each plan for the receipt and disbursement of plan income. Annual audits are required of the fund, and expenditures are subject to the same budget rules and procedures that apply to all other university funds.
- c) The membership, governance, and scope of authority of practice plan advisory boards are prescribed.
- d) The executive director of the plan is the general administrative officer of the plan. The various memberships are described in the Bylaws; the board of directors is described. The chairman is the chief administrative officer of the institution.
- e) The budget and finance committee prepares the fee schedule for billing purposes.
- f) Fringe benefits authorized by the Board of Regents are set out in Appendix A of the plan.

### 1.2 Board Approval of Annual Operating Budgets

- a) System-wide compensation limits, both from state appropriations and practice plan funds, are approved annually by the Board of Regents.
- b) Each medical institution submits annually a proposed revenue and expenditure budget for its practice plan, using categories defined by System Administration. Actual performance is monitored on a monthly basis.

- c) Board shall appoint a compliance officer and develop a compliance plan. The principles of medical ethics of the American Medical Association and the principles of dental ethics of the American Dental Society are accepted as the governing code of ethics.

### **1.3 System Accounting and Management Standards**

- a) Practice plans use standard university accounting principles, internal expenditure controls, and cash controls. The same NACUBO standards are used for these accounts as are used for state appropriations, federal grants and contracts, private gifts, student fee revenue, and other university funds. In addition, UTS 154 General Policies for Accounts Receivable Management of Faculty Practice Plans sets out guidelines for accounts receivable management.
- b) Normal institutional purchasing procedures should be followed.
- c) All requests for reimbursement should be signed by the employee seeking reimbursement. The voucher, if prepared by a staff member, should be reviewed for accuracy before the voucher is signed.
- d) Special care should be exercised regarding the use of individual credit cards, club memberships, and charges to facilities for entertaining business associates. Each such use should be documented and should indicate the number of persons entertained and their function, title or name.
- e) All requests for reimbursement should be fully supported with documentation as indicated above. The documentation should include similar identification of those involved and state the benefit to the institution.
- f) A report to the President should be prepared annually, detailing by each approved expenditure category how much has been spent. Specifically, entertainment expenses need to be reviewed, and any questionable expenditure should be investigated.
- g) Each institution shall insure that MSRDP/DSRDP/PRS/AHSRDP income and expenditures are audited (refer to Section 1.b.). A report should be made each year to the MSRDP/DSRDP/PRS/AHSRDP Board and to the President.

### **1.4 System Budget Rules**

Practice plan operating budgets are subject to the same budget rules which apply to other university funds. Amendments to operating budgets of the plans must be approved by the Board of Regents in accordance with established procedures of the UT System.

### **1.5 Administrative Decisions of the Office of the Chancellor**

The Office of the Chancellor annually reviews the list of allowable fringe benefits and makes amendments as necessary. The practice plan directors serve as an advisory body to the Business Management Council, which is the focus of the System's process for reviewing administrative policies and procedures. Practice plans submit monthly, quarterly, and annual financial and management reports as required by the Office of the Chancellor.

## **2. POLICY REGARDING PRACTICE PLAN OPERATING RESERVES**

State appropriated funds alone are not sufficient to maintain the nationally competitive position held by the compensation plans of the UT medical institutions or to preserve and enhance their level of excellence in education, research, and patient care. If practice plan income is to remain a reliable funding source against which salaries can be budgeted a year in advance, adequate operating reserves must be established and preserved. These reserves are a prudent and essential part of managing in an environment characterized by frequent changes in various federal policies, by pressures from many quarters for cost-containment and by uncertainty as to the financing of indigent health care.

Practice plans have historically borne a portion of the financial responsibility for maintaining an inventory of modern clinical and research equipment and for acquiring new technologies. Such acquisitions require advance planning, and many items can be financed only by setting aside funds over a period of years. Prudent and effective management necessitates that operating reserves also be adequate to meet anticipated capital needs.

Given these factors, it is the policy of the UT System that each practice plan shall accrue and/or maintain a fund balance equal to 90 day's operating expenses including all salaries.

If adequate reserves have been established, the institution may consider requesting that the Board of Regents authorize the creation of permanent endowments out of balances which substantially exceed these requirements. Such endowments would support research, education, and institutional development, in a manner consistent with the policies of the UT System.

## **3. GUIDELINES FOR INSTITUTIONAL PRACTICE PLAN OPERATING MANUALS**

- 1.** The organization and precise content of practice plan manuals will vary among institutions. The primary purposes of maintaining these manuals are for orientation of physicians participating in the plan, staff training and reference for business office personnel, and technical documentation of business procedures.
- 2.** System policies and/or institutional policies and procedures intended to implement system policies must serve as the basis for items included within the practice plan manual, and be specifically referenced where applicable. Examples

of such policies and resultant procedures include: budget and expenditure rules, fringe benefit eligibility, definition of professional income, authority of the business office, and management of accounts receivable as per UTS 154.

3. Administrative procedures should be documented in detail. Such documentation may be task-specific, position-specific, or both. A partial list of types of procedures to be documented would include: data collection for inpatients and outpatients, data entry, enrollment of new physicians, maintenance of master files, process for reviewing fee structures, handling of insurance, Medicare and Medicaid forms, verification of coverage and demographic information, return mail, cash control, and purchasing procedures. Particular attention should be paid to medical records documentation and internal review of claims against medical records.
4. General information on the interpretation of accounting records and financial and management reports should be included for the benefit of plan members.

Under the direction of chief fiscal officers, practice plan directors should carefully evaluate existing manuals against these guidelines. It is suggested that practice plan directors periodically compare and contrast policy manuals for comprehensiveness, clarity, and usefulness.

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## **FORMS AND TOOLS/ONLINE PROCESSES**

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None

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## **APPENDIX**

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None

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Keywords: medical practice plans, trust funds, accounting, trust fund, funds, accounts receivable, medical

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