

20-111 Review of Charity Care

EXECUTIVE SUMMARY

As part of the Fiscal Year (FY) 2020 Audit Plan, Internal Audit conducted an assessment for the eligibility of the patient financial assistance program and the material accuracy of the reporting on uncompensated charity care to UT System. The scope of our review included activity between September 1, 2018 and August 31, 2019, and any related periods.

UT System requires the institution to disclose the amount of charity care provided, which is published on the institution's website and Annual Financial Report. During FY19, the institution reported \$309M in uncompensated charity care, of which \$28M was provided to indigent patients through the patient financial assistance program. In general, the charity care provided by the Institution and reported to UT System was supported by patient charges.

The Patient Financial Assistance (PFA) program is a key component in determining patient eligibility for charity care. According to management, continuous improvements have been made in the oversight of this program. In 2015, the institution's financial assistance program was consolidated into the Financial Clearance Center (FCC). Prior to this, the process was very manual and managed outside the electronic health record by various departments and stakeholders. Since centralizing the program, the Financial Clearance Center has adopted the EPIC financial assistance module, published an institutional policy, formalized financial assistance application requirements, and in FY20, established key personnel to oversee the administration of the program. We did, however, notice some inconsistencies related to the Patient Financial Assistance (PFA) program, indicating that controls can be enhanced.

Refer to observation #1.

Further details are outlined in the *Detailed Observations* section. Other less significant opportunities for improvement were communicated to management separately.

Management Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before 12/31/20.

Appendix A outlines the methodology for this project.

The courtesy and cooperation extended by the personnel in the Office of Health Policy, Financial Clearance Center, Patient Business Services, Clinical Revenue Reimbursement and Physician's Referral Services are sincerely appreciated.



Sherri Magnus, CPA, CIA, CFE, CRMA, CHIAP
Vice President & Chief Audit Officer
January 5, 2021

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

DETAILED OBSERVATIONS

Observation 1:**Ensure Patient Financial Assistance Decisions are Appropriately Supported****RANKING: MEDIUM**

From our review of 311 Patient Financial Assistance (PFA) applications, we verified that 80% of the cases were managed correctly with no deficiency and in compliance with institutional policy ADM0368 Patient Financial Assistance Policy. For the remaining 20% of the cases, we identified the following:

- Approximately 14% of the cases for assistance were either inaccurate or not adequately supported, as follows:
 - 2% Inaccurate Decision
 - The decision was made incorrectly for seven applications (2%).
 - 12% Decision Not Adequately Supported
 - Eight applications (3%) were not available for review and therefore the decision could not be verified. Institutional guidance requires that all PFA application documents must be retained for 10 years.
 - Twenty-nine applications (9%) were missing specific documentation which may have impacted the decision.
- Eighteen applications (6%) contained an unsigned tax return where internal procedures require a signed tax return. We recognize that many tax returns may have been e-filed which do not require a physical signature. In addition, we recognize that the use of technology for tax filing has advanced since the date in which internal procedures were initially drafted; however, we wanted to note that documents were not obtained in accordance with internal procedures.

According to management, during our review period of Fiscal Year 2019, Clinical Revenue & Reimbursement was performing quarterly reviews of charity care charges for reasonableness. Without a strengthened quality assurance process in place, PFA applications could be incomplete and decisions may be incorrect. In addition, the institution's reported charity care activity may be inaccurate.

Recommendation:

Management should ensure that all PFA applications are complete, accurate, and maintained by strengthening their quality check processes. In addition, documentation should be retained for 10 years according to Institutional guidelines.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Management's Action Plan:

Responsible Executive: Ben Melson

Owner: Angela Bailey

Due Date: December 31, 2020

Since the audit review period (FY19: 9/1/18 – 8/31/19), there has been a change in FCC leadership and many of the cited audit findings have already been addressed with process changes implemented in FY20.

- As part of our standard operating procedures, all applications and supporting documents are scanned as they are received (beginning FY20). Our processes are now all electronic and the FCC no longer stores paper files. All applications and supporting documents are stored in OnBase and will be held on file for the required document retention period per institutional guidelines.
- As part of this updated approval process, the FCC Manager reviews the application and all documentation in OnBase to ensure it is legible and meets the application requirements.
- In addition to the FCC leadership review, Clinical Revenue & Reimbursement does a quarterly and yearly audit of our files to ensure all documents and applications are complete and scanned appropriately. The FCC will continue to partner with CRR on their quarterly and annual audits.
- In addition to these changes, by 12/31/20, the FCC will also implement the following:
 - On a semi-annual basis, the FCC Manager and Director will pull a sample of approved and denied applications to ensure there are additional quality checks throughout the year.
 - The FCC Manager will update the application check list and handbook so they consistently address requirements regarding tax returns to read as follows:
Applicants will be responsible for providing their most recently signed or electronically filed tax return.

Management's Action Plan:

Responsible Executive: Ben Melson

Owner: Elvira Cruz

Due Date: December 31, 2020

Stem Cell Transplant management will continue to actively collaborate with the Clinical Revenue and Reimbursement Team for a quarterly/yearly PFA review quality check to identify and address inadequacies to improve the process. In addition, the institution's charity care activity report will be accurate.

Completed PFA applications scanned on the On-base system accurately and timely.

In addition to these changes, by 12/31/20, SCT management will also implement the following:

On a semi-annual basis, SCT management will pull a sample of approved and denied applications to ensure there are additional quality checks throughout the year. Quality review of the SCT selected applications will be done by the FCC Manager.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Observation 2:**Enhance the Standard Operating Procedures****RANKING: MEDIUM**

The Institution's Patient Financial Assistance (PFA) policy and applications were updated in October 2019 to reflect the current practices. However, the Institution's PFA Handbook, which details the procedures to be followed to determine eligibility, has not been updated.

Specifically, auditors noted that updates should be made to the following:

- Calculation methodology of income and assets for determining eligibility
- Documented acceptance of alternative documents received as part of the application

Without having documented standard operating procedures that mirror current state practices, decisions regarding eligibility could be incorrect, inconsistent, or not properly supported.

Recommendation:

Financial Clearance Center (FCC) should enhance the PFA Handbook to align with the policy and current state practices. For any exception, a written justification and approval should be documented.

Management's Action Plan:

Responsible Executive: Ben Melson

Owner: Angela Bailey

Due Date: 12/31/20

Since the timeframe of this audit (FY'19), the FCC has updated the Charity Care policy (in FY20 - 10/19). In addition, the FCC has made a number of ongoing internal tweaks to the standard operating procedures as well as the PFA Handbook. As such, the handbook has been a draft document in motion for a period of time. As noted above, the FCC will finalize all updates to the handbook, including the calculation methodology and acceptance of alternate documents by 12/31/20.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Appendix A**Objective, Scope and Methodology:**

The objective of the project was to determine if the institution had been providing charity care in compliance with UT System requirements. The scope of our review included activity between September 1, 2018 and August 31, 2019, and any related periods.

Our methodology included the following procedures:

- Reviewed relevant organizational policies and procedures
- Interviewed key personnel responsible for reporting on the institution's financial assistance program
- Performed analyses on financial reports and related supporting documents
- Interviewed key personnel responsible for processing and approving patient financial assistance (PFA) applications
- Reperformed a sample of applications (246 approved, 65 denied) to determine whether decisions made were supported and in compliance with Patient Financial Assistance policy

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Government Auditing Standards*.

Number of Priority Findings to be monitored by UT System: None

A Priority Finding is defined as “an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”