Report on Texas Physician Uncompensated Care #13-412

We have completed our audit of Texas Physician Uncompensated Care. This audit was performed at the request of the UTHealth management and was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

**BACKGROUND**

In December 2011, Texas received federal approval of an 1115 waiver that would preserve Upper Payment Limit (UPL) funding under a new methodology, but allow for managed care expansion to additional areas of the state. The 1115 waiver supplemental payment funding, managed care savings, and negotiated funding will go into two statewide pools over five years. One of those pools, the uncompensated care (UC) pool, will be used to reimburse for uncompensated care costs as reported in the annual waiver application/UC report. The UC pool payments are designed to help offset the costs of UC provided by either a hospital under Texas Hospital Uncompensated Care (TXHUC) or other providers under Texas Physician Uncompensated Care (TXPUC).

The purpose of the TXPUC program is to determine the physician professional costs related to services provided to Medicaid and uninsured patients by physician organizations.

The first submission for the TXPUC program was made in fiscal year 2012 for the period October 1, 2009 through September 30, 2010. The guidance provided by Health and Human Services (HHS) for the submission consists of written directives and a reporting template.

**OBJECTIVES**

The objective of this audit was to determine whether the data submitted in the TXPUC file is accurate, logical and within applicable guidelines.

**SCOPE AND METHODOLOGY**

The scope of our audit was the TXPUC report submitted for the period October 1, 2009 through September 30, 2010.

Audit and Advisory Services (A&AS) reviewed the completed template and the schedules prepared by UTHealth to support the data entered into the template. The template received from HHS contained seven required schedules. To populate those seven spreadsheets, 36 spreadsheets were created to feed the data to those required spreadsheets. We performed testing to obtain reasonable assurance the formulas used were accurate, logical, and within applicable guidelines.
We developed a spreadsheet of relevant guidance and verified the guidelines were followed. We judgmentally selected one department to follow each formula through the entire submitted spreadsheet. We selected six departments whose uncompensated care totals had the largest impact on the amount submitted as total UC costs. We obtained independent reports for the four largest components of input data and determined whether charges, salaries, payments and work relative value units (wRVUs) agreed for those departments. We then analyzed the remaining supporting schedules. This data comes from the Medical School financial reports, which is verified during the annual financial audit. We did not test this data further.

AUDIT RESULTS

Compliance with Guidelines

The major data fields required to complete the TXPUC submission are: salaries, charges, payments received, and wRVUs for all providers and departments, differentiated by patient payment type and care type (inpatient, outpatient or emergency room). Additional required data fields are: non-billable supplies, indirect costs, administrative costs, and contract revenue.

We selected one department for our review. We gained an understanding of how the files were compiled, and traced each formula entered through the entire submission spreadsheet. We mapped the formulas and reviewed the methodology used to create the formulas for logic and accuracy. We also compared the submission to the available guidance to ensure requirements were met.

Based on our review, the submission is in accordance with the tools and guidelines provided.

Data Validity

We selected the six departments; Anesthesiology, Emergency Medicine, Family Medicine, Internal Medicine, Radiology and Surgery, with the overall highest amounts of salaries, charges, payments received, and wRVUs for data validation.

Using the original data files for each of the six departments, we verified the data input into the submitted schedules was accurate and complete. We then compared the data we obtained independently against both the original data file and the submitted data to test for agreement.

We identified a few minor differences during our data comparison. Salaries were under reported by $391,456 for the department of surgery. This difference was attributed to the exclusion of state salaries in the data file used to populate the submitted report. One physician in Radiology had charges, but did not show up on the master salary list or in the externally obtained salary list. That provider was also missing from all institutional listings. The prorated wRVU benchmark data did not match the benchmark table provided in the TXPUC tool for Radiology wRVUs. Radiology was the only department that had this issue, and the result was a lower reported wRVU, which decreased our total reported UC by a minimal amount.
The sum of the total reimbursement that UTHealth received was approximately $7.8 million. The sum of the issues listed above, as they impacted the total reported UC, resulted in an under reporting of approximately $77,500.

The original salary file for one of the six tested departments was not available at the time of our audit. We were still able to validate the data submitted by using independent data; however, the HHS guidelines state the following: "The entity must submit the supporting documentation upon request from the Texas Health and Human Services Commission." We suggest a single location be established and maintained as a repository for the supporting documentation used in completing the submitted template.

CONCLUSION

The data within the Texas Physician Uncompensated Care file is accurate, logical and within applicable guidelines. We suggest a single location be established and maintained as a repository for the supporting documentation used in completing the submitted template.

We would like to thank the managers throughout the institution who assisted us during our review.

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