Revenue Cycle: Patient Account Adjustments and Follow-up Audit

Internal Audit Report 19:04

January 11, 2019
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Executive Summary

Background

Efficient revenue cycle management and financial processes help the Medical Center track patient care episodes from registration and appointment scheduling through to the final payment of a balance. Patient account adjustments and follow-up are important steps within the UT Southwestern Medical Center’s revenue cycle. The Account Resolutions Department is headed by the Manager for Account Services who reports to the Associate Vice President of Revenue Cycle Operations. The Department posts account adjustments and performs follow-up and collection efforts. There are 38 staff organized into three teams: (1) Customer Service, (2) Patient Financial Advocates, and (3) Self-Pay Dialer and Processes.

Patient account adjustment and follow-up processes begin once the claim has been billed and paid by the insurance company or guarantor, leaving a self-pay balance that is the patients’ financial responsibility (Appendix B depicts these steps within the revenue cycle process). The Revenue Cycle Operations Central Billing Office (CBO) processes monthly statements and uses an automated outbound dialer to notify patients of any outstanding balance due. Patient accounts are reviewed for qualified financial adjustments to arrive at the remaining balance to be paid in full or part through an agreed payment plan. Uncollectible balances, after four statements that are 120 days past due, are referred to two outside agencies for further collection. Any remaining uncollectible balances after 24 months with the external agencies are brought back in-house for statistical reporting and write off. In addition, the CBO deploys an answering software to route patients’ inbound calls to customer service representatives for account updating and referral to appropriate Account Resolutions staff for follow-up and counseling.

The graph to the right illustrates total days in accounts receivable for FY2018.

- Hospital Billing days in A/R remained steady, averaging 48 days
- Professional Billing days in A/R decreased slightly throughout the year, averaging 41 days
Scope and Objectives

The Office of Internal Audit has completed its Revenue Cycle: Patient Account Adjustments and Follow-up audit. This was a risk based audit and part of the fiscal year (FY) 2019 Audit Plan.

The audit scope period included self-pay adjustment and follow-up activities from September 2017 to August 2018. The review included assessing the adequacy and effectiveness of processes, oversight, and monitoring controls in place for:

- Accurate and timely account adjustments and appropriate follow-up,
- Appropriate adjustment approvals,
- Segregation of user access processing and approving duties,
- Effective monitoring, and
- Compliance with key policies and procedures, regulations, and contract terms.

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.

Conclusion

Overall, processes are in place to effectively manage self pay patient account adjustment and follow-up activities for Hospital and Professional Billing. An opportunity exists to enhance timely review and resolution for self pay accounts on statement holds due to missing demographic information.

During FY2018, Revenue Cycle Operations leadership implemented a propensity to pay program, which is an automated method for analyzing self-pay accounts for charity write-offs. This change helped streamline patient financial clearance for quick decision making during registration and financial counseling. Additionally, a change in management occurred in FY2019 and the Manager for Account Services identified efficiency opportunities in the accounts receivable bad debt process.
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 A for Risk Rating Classifications and Definitions.

<table>
<thead>
<tr>
<th>Priority (0)</th>
<th>High (0)</th>
<th>Medium (0)</th>
<th>Low (1)</th>
<th>Total (1)</th>
</tr>
</thead>
</table>

One key improvement opportunity risk-ranked as low is summarized below.

- **Enhance Workqueue Review, Resolution, and Monitoring Processes** – Patient accounts with a statement hold reported in SBO Account Workqueues Statement Hold (Guarantor) – Z Catch All are not researched and resolved timely. Missing key demographic information negatively impacts timely billing and collections.

We would like to take the opportunity to thank the individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,

Valla F. Wilson, Associate Vice President for Internal Audit, Chief Audit Executive, Interim Chief Compliance & HIPAA Privacy Officer

**Audit Team:**
Robin Irvin, Manager, Internal Audit
Jeff Kromer, Director, IT & Specialty Audit Services
Melinda Lokey, Director, Internal Audit
Delaunda McCown, Senior Internal Auditor
Lori Muncy, Senior Internal Auditor
Van Nguyen, Supervisor, Internal Audit
Gabriel Samuel, IT Senior Auditor
Executive Summary

cc: Candace Baer, Associate Vice President, Ambulatory Operations
    Arnim E. Dontes, Executive Vice President, Business Affairs
    Kathryn Flores, Assistant Vice President and Chief Information Officer, University Hospitals
    Michele Glenn, Manager, Revenue Cycle Operations
    Trissi Gray, Director, Health System Compliance
    Kelly Kloeckler, Associate Vice President, Revenue Cycle Operations
    Michael Laukaitis, Manager, Revenue Cycle Analytics, Patient Financial Services
    Tim Leary, Assistant Director, HSIR Technical Services
    Mark Meyer, Chief Financial Officer, University Hospitals
    Marc Milstein, Vice President and Chief Information Officer, Information Resources
    Vinod Nair, Director, Revenue Cycle and Business Systems
    Dennis Pfeifer, Assistant Vice President and Chief Technology Officer, Health System
    Brian Rasmus, Associate Vice President, Finance Practice Plan
    Mark Rauschuber, Associate Vice President and Chief Information Officer, Health System
    Krystal Richardson, Director, Revenue Cycle Operations, Patient Financial Services, University Hospitals
    Michael Serber, Vice President for Finance & Institutional Chief Financial Officer
    Joshua Spencer, Associate Vice President and Chief Technology Officer
    Thomas Spencer, Ph.D., Assistant Vice President, Information Resources Operations and Compliance
    John Warner, M.D., Executive Vice President, Health System Affairs
### Detailed Observation and Action Plans Matrix

<table>
<thead>
<tr>
<th>Observation</th>
<th>Recommendation</th>
<th>Management Response</th>
</tr>
</thead>
</table>
| Risk Rating: Low n | 1. Update workqueue processes and procedures to allow for timely monitoring and resolution of self pay accounts on hold.  
2. Identify root cause for the missing demographic information and implement training and education to reduce these occurrences of missing information going forward. | **Management Action Plans:**  
1. The insurance pending accounts within this workqueue will be moved to a new workqueue to facilitate timely review and monitoring.  
2. The root cause of the missing information will be identified and corrective measures, including training, will be implemented to address and reduce these occurrences going forward. |

**1. Enhance Workqueue Review, Resolution, and Monitoring Processes**

Patient accounts with a statement hold reported in *SBO Account Workqueue (WQ) Statement Hold (Guarantor) – Z Catch All* are pending research and timely resolution. This workqueue was created to monitor patient accounts on statement hold due to missing information, including key demographics. Delays in researching and resolving self-pay accounts on hold in an efficient and effective manner negatively impacts collections.

The workqueue (#35632) contained 87 items totaling $97,000 aged over 180 days. Responsibility for this workqueue was transferred to the Account Resolutions Department beginning in FY2019.

A review of 44% of self pay accounts on hold over 180 days in this workqueue indicated that these accounts were created at an affiliate location and posted to the UTSW Epic system for billing and collections.

**Action Plan Owners:**  
Manager, Revenue Cycle Operations

**Target Completion Dates:**  
1. February 28, 2019  
2. April 30, 2019
Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

<table>
<thead>
<tr>
<th>Risk Definition</th>
<th>Degree of Risk and Priority of Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority</td>
<td>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.</td>
</tr>
<tr>
<td>High</td>
<td>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.</td>
</tr>
<tr>
<td>Medium</td>
<td>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.</td>
</tr>
<tr>
<td>Low</td>
<td>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.</td>
</tr>
</tbody>
</table>

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. 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.
Appendix B – Revenue Cycle Process

The following revenue cycle operations diagram depicts the processes (in bold) that were included in this audit.

Focus of the audit was on the Adjustment Posting and Follow-up processes within these two phases of the revenue lifecycle
### Appendix C – Hospital and Professional Billing Accounts Receivable Aging

Hospital Billing 2018 fiscal year end accounts receivable aging percentages for all financial classes and self-pay financial class.

#### A/R Aging - Hospital Billing

**All Financial Classes**

<table>
<thead>
<tr>
<th>Period</th>
<th>0-30 Days</th>
<th>31-60 Days</th>
<th>61-90 Days</th>
<th>91-120 Days</th>
<th>121-180 Days</th>
<th>&gt; 180 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2018 Q1</td>
<td>12%</td>
<td>7%</td>
<td>8%</td>
<td>9%</td>
<td>9%</td>
<td>14%</td>
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<tr>
<td>FY2018 Q2</td>
<td>17%</td>
<td>6%</td>
<td>8%</td>
<td>9%</td>
<td>9%</td>
<td>16%</td>
</tr>
<tr>
<td>FY2018 Q3</td>
<td>16%</td>
<td>7%</td>
<td>11%</td>
<td>9%</td>
<td>7%</td>
<td>21%</td>
</tr>
<tr>
<td>FY2018 Q4</td>
<td>19%</td>
<td>9%</td>
<td>11%</td>
<td>7%</td>
<td>9%</td>
<td>41%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>0-30 Days</th>
<th>31-60 Days</th>
<th>61-90 Days</th>
<th>91-120 Days</th>
<th>121-180 Days</th>
<th>&gt; 180 Days</th>
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<tbody>
<tr>
<td>FY2018 Q1</td>
<td>46%</td>
<td>9%</td>
<td>11%</td>
<td>7%</td>
<td>14%</td>
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<td>FY2018 Q2</td>
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<tr>
<td>FY2018 Q3</td>
<td>24%</td>
<td>11%</td>
<td>16%</td>
<td>10%</td>
<td>14%</td>
<td>14%</td>
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<tr>
<td>FY2018 Q4</td>
<td>33%</td>
<td>14%</td>
<td>14%</td>
<td>12%</td>
<td>16%</td>
<td>12%</td>
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</table>

#### A/R Aging - Hospital Billing

**Self-Pay Financial Class**

<table>
<thead>
<tr>
<th>Period</th>
<th>0-30 Days</th>
<th>31-60 Days</th>
<th>61-90 Days</th>
<th>91-120 Days</th>
<th>121-180 Days</th>
<th>&gt; 180 Days</th>
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</thead>
<tbody>
<tr>
<td>FY2018 Q1</td>
<td>10%</td>
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<tr>
<td>FY2018 Q4</td>
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</tbody>
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Revenue Cycle – Patient Account Follow-up and Adjustments Audit
Appendix C – Hospital and Professional Billing Accounts Receivable Aging

Professional Billing 2018 fiscal year end accounts receivable aging percentages for all financial classes and self-pay financial class.

<table>
<thead>
<tr>
<th>A/R Aging - Professional Billing</th>
<th>All Financial Classes</th>
<th>Self-Pay Financial Class</th>
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<tbody>
<tr>
<td>0-30 Days</td>
<td>FY2018 Q1</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>FY2018 Q2</td>
<td>29%</td>
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<tr>
<td></td>
<td>FY2018 Q3</td>
<td>28%</td>
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<td>FY2018 Q4</td>
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Revenue Cycle – Patient Account Follow-up and Adjustments Audit