UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT AND ADVISORY SERVICES

Otolaryngology Charge Capture Review
Project #19-051

July 2019
EXECUTIVE SUMMARY

I. BACKGROUND

As a planned audit for Fiscal Year (FY) 2019, Audit and Advisory Services conducted a charge capture review to assess the processes and controls for ensuring complete and effective charge capture in the UCSF Otolaryngology Department.

The UCSF Department of Otolaryngology – Head and Neck Surgery’s (OHNS) expertise encompasses all aspects of the field of OHNS including head and neck surgical oncology, laryngology, rhinology, otology, neurotology, skull base surgery, pediatric otolaryngology, and facial plastic surgery. In addition, the department provides innovative technologies and options for communication and swallowing disorders, voice disorders, and sleep disorders.

Financial positions for Otolaryngology indicate an increase in gross revenue from the same time period in the prior fiscal year1:

<table>
<thead>
<tr>
<th>Otolaryngology Division</th>
<th>Variance (%) for revenue in May 2019 vs. May 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty Practice</td>
<td>30</td>
</tr>
<tr>
<td>Cochlear Implant</td>
<td>36</td>
</tr>
<tr>
<td>Voice Center</td>
<td>24</td>
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<tr>
<td>Voice Center Speech</td>
<td>13</td>
</tr>
<tr>
<td>Pediatric</td>
<td>5</td>
</tr>
</tbody>
</table>

There have been significant efforts in FY 18 and FY 19 to realize any missed revenue within the Otolaryngology Department. Efforts have been made to streamline work queues (WQs), utilizing available reports for trending purposes and identifying issues in the charge capture process.

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the processes and controls for ensuring complete and effective charge capture at UCSF OHNS.

The scope of the review covered transactions and activities from November 2018 – January 2019 in the Otolaryngology Department.

Procedures performed as part of the review included the following:

- Reviewed policies and procedures related to charge capture and reconciliation processes;
- Interviewed key personnel within the organization responsible for charge capture to understand he manual and automated system processes and controls;
- Performed walkthrough of each aspect of the charge capture process to understand when and how charges are captured;
- Assessed the current charge capture processes;

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1 This data was sourced from the Daily Revenue Report provided by Revenue Integrity and is reflective of revenue for May 2019 compared to May 2018.

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• Identified risks that may occur during the process and identified and evaluated the design effectiveness of existing controls that mitigate these risks;
• Tested key charge capture controls, based on a judgmentally selected sample of operational procedures to validate the completeness and timeliness of the charges; and
• Reviewed charge capture work queues to analyze timeliness of WQ clearance and completeness of charge capture review.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in June 2019.

III. SUMMARY

Based on work performed, the Otolaryngology Department demonstrated significant efforts to ensure there are processes and controls in place for accurate charge capture. They are performing a number of industry practices, including well-documented workflows, regular work queue review and management, reviewing reconciliation reports, and working closely with providers on education and improvement.

Opportunities for improvement exist in the areas of denials resulting from authorizations and reviewing processes related to charge posting.

The specific opportunities for improvement from this review are listed below.

A. Denials due to Authorizations

1. Denials due to incomplete or inappropriately obtained authorizations for services should be reviewed.
2. A review of denials due to delays in retro-authorization requests should occur.

B. Processes Related to Charge Posting

3. There is inconsistency in the facility charge in that sometimes the E/M is split and other times it does not split.
4. There are charge posting delays which potentially lead to missed or inaccurate payment on the claim.
5. The “No charge” CPT code is used inconsistently for different types of visits.

C. Reimbursement of Supplies

6. Medications and supplies used in the normal course of Otolaryngology procedures are being classified as experimental or non-covered.
### IV. OPPORTUNITIES FOR IMPROVEMENTS

#### A. Denials Due to Authorizations

<table>
<thead>
<tr>
<th>No.</th>
<th>Observation</th>
<th>Risk/Effect</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Denials due to incomplete or inappropriately obtained authorizations for services should be reviewed.</td>
<td>Denials analysis and trending related to authorizations is critical to understanding gaps in the authorizations process. It is also important to understand whether this is potentially a systemic issue.</td>
<td>A root cause analysis should be performed as to the volume and reasons why denials due to authorizations are occurring within the Otolaryngology Department. Regular reporting of expected vs. actual services and procedures coded should be performed to promptly identify needs for retro-authorization, as well as potentially identify consistently mis-forecast services and procedures.</td>
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<tr>
<td></td>
<td>Analysis of denials data revealed that a large number were due to obtaining pre-authorizations for services performed. Reasons for submitting inappropriate authorizations include not receiving notice of updated CPT codes for services that require authorizations and changing procedures during a visit that do not ultimately reflect what is on the final claims. Though the Department does maintain a list of current CPT codes that require pre-authorizations, this list should be regularly reviewed and communication with payors should occur to keep abreast of any changes. During our review, there were several denials not on the authorization code list.</td>
<td></td>
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<tr>
<td>2</td>
<td>A review of denials due to delays in retro-authorization requests should occur.</td>
<td>Untimely requested retro-authorizations cause a delay or prevent reimbursement. Additionally, charges on the claim might not be corrected in time for timely filing which could lead to incorrect billing in addition to a denial on the claim.</td>
<td>A root cause analysis should be performed as to why there was a four month delay in requesting a retro-authorization.</td>
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<td>One case was identified during sample testing in which the request for a retro-authorization occurred four months post-service date.</td>
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#### B. Processes Related to Charges

<table>
<thead>
<tr>
<th>No.</th>
<th>Observation</th>
<th>Risk/Effect</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>There is inconsistency in the facility charge in that sometimes the E/M service is split into PB and HB codes, and other times it does not split.</td>
<td>Understanding how the PB and HB charges during a patient encounter is important in understand how to capture the revenue from each.</td>
<td>The Otolaryngology Department should work with Revenue Integrity to identify reasons for the inconsistencies</td>
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<tr>
<td></td>
<td>During our review, we identified several cases where the Evaluation &amp; Management (E/M) code split the facility charge (HB) from the professional</td>
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</table>
### Observation 4: There are charge posting delays which potentially led to missed or inaccurate payment on the claim.

We identified a case during sample testing in which a delay in the charge posting occurred. In this case, some charges were posted 21 days prior to the remaining charges for the same visit on the same date of service. This ultimately caused only the initial charge submitted to be paid by the secondary payor, and the primary payor then paid the claims as a replacement after all of the charges had posted.

**Risk/Effect:** Timely posting of charges is essential when submitting claims, to prevent inaccurate or unpaid reimbursement.

**Recommendation:** A root cause analysis should be performed for delayed charges.

### Observation 5: The “No charge” CPT code is used inconsistently for different types of visits.

The CPT code for a “no charge” visit is NC001. This code was used for varying types of visits, including pre-operative, post-operative follow-up, and outpatient visits. The inconsistency in the use of NC001 indicates confusion surrounding when to use this CPT code.

**Risk/Effect:** Use of the “no charge” CPT code should be reserved only for certain visits. The impact of coding incorrectly is inaccurate billing, which invites government scrutiny.

**Recommendation:** The Otolaryngology Department should work with Revenue Integrity to clearly define when use of the no charge visit is appropriate.

### C. Reimbursement of Supplies

### Observation 6: Medications and supplies used in the normal course of Otolaryngology procedures are being classified as experimental or non-covered.

Lidocaine and Phenylephrine nasal spray are commonly used medications when scoping a patient, and are generally inclusive of the procedure. However, we identified instances where these medications were not covered as part of the scoping procedure. These medications are ordered from the Pharmacy and not kept within the Department.

These medications are generally included in payment for other services, so there is not a revenue impact to the use of the experimental or non-covered codes.

**Risk/Effect:** Medications and supplies that are customary and included with the procedure are important to document for capturing the true cost of the procedure.

**Recommendation:** The Otolaryngology Department should clarify with the UCSF Clinical Enterprise Compliance Program (CECP) to determine best practice in attaching the cost of supplies and medications to procedures.