

August 19, 2020

**SUSANNA RUSTAD
EXECUTIVE DIRECTOR OF OPERATIONS
UCI HEALTH SYSTEM**

**RE: Item Master – Premier System
Report No. I2020-205**

Internal Audit Services has completed the limited review of the Premier System's Item Master and the final memo is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.



Mike Bathke
Director
Internal Audit Services

MB:lw

Attachment

C: Audit Committee
Chad Lefteris, Chief Executive Officer – UCI Health
Neil Myers, Controller, Finance Administration - UCI Health

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Background:

On January 2, 2019, Internal Audit Services (IAS) was informed of a patient billing error for a medical supply item that resulted in a \$10,320 patient billing. Due to an inaccuracy in UCI Health's Item Master with regard to a Unit of Measure (UOM), management later determined the billing should have been \$1,669. According to management, if there is an UOM error, the impact is further magnified by a Revenue Integrity pricing markup of 610% that is added to patient billing.

The Item Master is part of the Premier application, which includes, among others, a Supply Chain Management module. The Item Master is a catalog/database of medical and non-medical supplies from which staff can place orders. It is also used to determine patient billing amounts for medical supplies.

Because of the above error, the Item Master was placed on the fiscal year (FY) 2019-2020 audit plan and IAS performed a limited review to determine the status of the Item Master and the efforts to improve its accuracy.

Summary:

Through an interview with the Executive Director of Operations, and a review of supporting documentation, IAS noted that UCI Health was ranked #25 and #5 for 2019 and 2020, respectively, out of 914 Global Healthcare Exchange (GHX) member health systems in the United States. GHX is a healthcare business and data automation company. These ranks include Item Master accuracy and other benchmarks. Specifically, according to data obtained by IAS, UCI Health's Item Master UOM exception rate was 0.19% while the national average was 2.05%. Additionally, UCI Health's price exception rate was 2.91% while the national average was 8.94%.

Prior to the arrival of the current Executive Director of Operations in late 2016, the UOM exception rate was documented at approximately 5%. In 2017, prior to the Premier system go-live, the UOM exception rate was documented at approximately 5.7%, and immediately after the Premier system go-live in September 2017, the UOM exception rate was documented at approximately 5.9%. Item master cleanse began shortly thereafter, and as shown in the GHX benchmark, there has been substantive progress since then, placing UCI Health among the top in the industry for year 2019 with a 0.19% UOM exception rate.

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IAS also interviewed a representative from Premier, Inc., who UCI Health contracted to perform supply chain services, including the cleanup and maintenance of the Item Master. Premier, Inc. provided IAS with logs of changes that were made resulting from their cleanup effort, and according to these documents, a substantial number of changes and/or corrections were made during the contract period from June 2018 through June 2020. The work performed by Premier, Inc., along with the extensive work performed by UCI Health's Supply Chain Management team, accomplished the improvements noted in the benchmarks above. Based on published metrics provided to IAS, continuous improvement is evident in 2020, and UCI Health has renewed the contract with Premier, Inc. for Item Master maintenance services through June 30, 2022.

Based on IAS's limited review, the ongoing maintenance and cleanup efforts to the Item Master have adequately addressed the billing error concern noted and have reduced the UOM and price exception rates to levels that are well below the national averages.