October 26, 2011

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Subject: ***Clinic Payment Collection Processes***
Audit & Management Advisory Services Project 2011-27

The final audit report for Clinic Payment Collection Processes, Audit Report #2011-27, is attached. We would like to thank all Ambulatory Services, Medical Group and School of Medicine Controller's Office personnel for their cooperation and assistance during the audit.

Because we were able to reach agreement regarding corrective actions to be taken in response to the audit recommendations, a formal response to the report is not requested.

The findings included in this report will be added to our follow-up system. While management corrective actions have been included in the audit report, we may determine that additional audit procedures to validate the actions agreed to or implemented are warranted. We will contact you to schedule a review of the corrective actions, and will advise you when the findings are closed.

UC wide policy requires that all draft audit reports, both printed and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to Mail Code 0919 or destroy them at this time.

Stephanie Burke
Assistant Vice Chancellor
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Attachment

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AUDIT & MANAGEMENT ADVISORY SERVICES

Clinic Payment Collection Processes
October 2011

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Project Number: 2011-27

Clinic Payment Collection Processes
Audit & Management Advisory Services Project #2011-27

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Clinic Payment Collection Processes
Audit & Management Advisory Services Project #2011-27

I. Background

Audit & Management Advisory Services (AMAS) completed a review of patient co-payment collection processes in selected UCSD Health System (UCSDHS) clinics in accordance with the 2010/11 audit plan.

UCSDHS physicians and clinical staff provide patient care services at two hospitals and twelve outpatient facilities in San Diego County. To enhance customer service and improve the efficiency of patient accounts receivable management and billing processes, outpatient clinic staff collect and process payments.

Patients may be responsible to pay a portion of the cost of the healthcare services provided based on the type of covered benefits provided by their health plan. Insurance co-payment and deductible obligations typically vary by plan. Because co-payments are pre-defined they should be collected at the time of service. Patient financial responsibility for non-covered services or other obligations is more difficult to determine, which sometimes makes collection on the date of service more difficult.

An effective payment collection process requires that timely, accurate financial information, compiled by personnel experienced in extracting insurance benefit data and comparing benefits to estimated charges, be accessible by staff working in decentralized locations. Timely communication with patients is also critical to a successful collection strategy. Revenue Cycle Administration manages Financial Clearance Center (FCC) business activities. FCC staff members facilitate cash collections by completing a pre-appointment review process for scheduled clinic visits. To ensure that covered services will be paid by the patient's health plan, and any remaining patient financial obligations are communicated to the patient prior to arrival, a list of scheduled appointments generated by the GE-IDX scheduling system is obtained daily and the following tasks are completed:

- Verification of insurance eligibility;
- Completion of required insurance company authorizations;
- Calculation of patient financial liability;
- Communication of financial obligations to patients;
- Collection of payments electronically (in some cases); and,
- Completion of funding notes in the Patient Care Information System (PCIS).

Clinic cash collections are typically received and processed by outpatient registration staff, and clinic front office staff. Ambulatory Services is responsible for providing oversight for all aspects of clinic operations, including cash handling. Clinic operations staff that use Front Desk to perform their job responsibilities have been provided focused system training to enable them to use the system effectively.

Patient health plan eligibility and co-payment information is stored in PCIS, which transfers patient demographic and payer information to the hospital Financial

Management System (FMS), and the GE-IDX Visit Management and Billing and Accounts Receivable Systems via system interfaces. The GE-IDX Front Desk module (Front Desk) automates the clinic patient check-in and check-out processes, including payment collections. Front Desk has been implemented in the majority of clinics. However, some locations have continued to process payments manually.

As of March 2011, there were 66 Front Desk users located in 33 Clinic/Registration areas in the following five clinic locations:

Clinic Location	***# of Clinics***	***Total Number of Front Desk Users***	***Average Number of Front Desk Users per Clinic***
La Jolla Perlman Ambulatory Care Center	10	23	2.3
La Jolla Internal Medicine	3	8	2.7
Hillcrest Fourth and Lewis	5	8	1.6
Hillcrest Medical Offices North	6	10	1.7
Hillcrest Medical Offices South	9	17	1.9
Total	33	66	2.0

In July 2010, Ambulatory Services and Revenue Cycle Administration collaborated to design and implement a Clinic Payment Collection Pilot Program (Pilot Program) at the Head and Neck, Surgery, Urology, and Neurology clinics located in Hillcrest Medical Offices North, a total of four Front Desk clinics and six users. The objectives of the Pilot Program were to increase payment collections, reduce insurance denials, and improve customer service. Several new processes and tools were implemented in additional to the pre-visit financial clearance process discussed above.

The GE-IDX Front Desk module, which is used to complete the patient check-in process, was re-programmed in 2010 to display the total patient account balance in addition to the amount due for each attended visit (generally any required co-payment). This additional financial information provides an opportunity for clinic staff to collect the entire outstanding patient balance, increasing overall patient care revenue and decreasing billing costs. Clinic operations staff involved in the Pilot Program were provided additional Front Desk application training to familiarize them with new data fields added to the system to assist with cash collections.

II. Audit Objectives, Scope, and Procedures

The objectives of our audit were to determine whether clinic management had the resources necessary to fully implement Pilot Program procedures; and to determine whether payment collection processes in clinics that have implemented Front Desk were effective, and ensured compliance with University of California Business and Finance Bulletin 49, *Policy for Cash and Cash Equivalents Received* (BUS 49).

We performed the following audit procedures to achieve the project objectives:

- Reviewed related UC and UCSDHS policies, procedures, including BUS 49, and UCSD Medical Group Cashier Collections Procedures;
- Interviewed selected Clinic Managers and staff, including those who were participating in the Pilot Program to discuss payment collection requirements and implementation challenges;
- Obtained additional information about clinic deposit processes from UCSD Medical Group and School of Medicine (SOM) management and staff;
- Discussed financial clearance support for the Pilot Program with the Revenue Cycle Financial Clearance Manager;
- Met with Ambulatory Services management to discuss the Front Desk user application, and Front Desk training, and monitoring efforts;
- Interviewed the Director of Medical Group Information Services to obtain information about Front Desk functionality;
- Viewed Front Desk system screens;
- Observed payment collection, batching, and deposit reconciliation processes at the Fourth and Lewis Clinic, the Perlman Ambulatory Care Center, Medical Offices North, the Owen Clinic, and La Jolla Internal Medicine;
- Flowcharted the Pilot Program patient payment collection processes (***Attachment A***);
- Evaluated the effectiveness and efficiency of the Pilot Program;
- Obtained an electronic payment file from Medical Group Information Services that included transactions for all Front Desk clinics for the period October thru December 2010; and,
- Completed an analytical review of the GE-IDX payment data for all Front Desk clinics to evaluate the GE-IDX Front Desk payment collection patterns.

Clinics that have not implemented Front Desk were not included within the scope of this review.

III. Conclusions

Based on the audit procedures performed, we concluded that clinic management did not have all resources necessary to fully implement Pilot Program procedures. Additional resources will likely be needed to achieve Pilot Program payment collection goals. We noted the Pilot Program cash collection strategies have presented several challenges in the distributed clinic environment. Clinic Managers were sensitive to the need to discuss financial issues with patients in a private location. However, not all clinics had a private area available. In addition, some locations found that patients had additional questions about prior balances due, and clinic staff did not have the system resources or training needed to provide a reasonable cost estimate for new procedures ordered by physicians. The availability of staff with financial clearance expertise will be critical. In addition, the development and distribution of a written payment collection desk procedure and scripts will be added to assist staff with completing all required steps in the payment collection process.

We also noted that Front Desk clinic payment collection processes were generally effective, and would improve with additional staff training and standard payment collection desk procedures. Scripts would assist users with accurate data entry and resolving unbalanced payment batches, and ensuring that patient discussion about financial matters are handled consistently.

Finally, BUS 49 compliance could be improved by standardizing cash transportation processes and adding physical security devices in certain locations.

These issues are discussed in more detail in the remainder of this report.

IV. Observations and Management Corrective Actions

A. Pilot Program

Pilot Program systems and processes facilitate the collection of uncomplicated cash transactions. However, additional Financial Clearance staff resources, updated clinic staff training, and designated space to discuss financial issues will be needed to fully achieve Pilot Program goals.

Staff who participated in the Pilot Program reported that they had no major difficulties with completing the basic cash transactions. However, they were not always prepared to provide patients with additional information about financial balances, or accurate estimates for new procedures ordered by physicians.

Because FCC Financial Counselors have access to charge data and other information needed to provide the patient with an accurate share of cost for services, their role is critical to the success of the Pilot Program. If the patient is not prepared to make a required payment, clinic personnel may be in the position of having to decide whether additional care will be provided. Based on patient acuity, it is likely that in some cases, medical care would be provided without the required payment. The FCC Manager indicated that since the Pilot Program was initiated, the FCC work list has increased from 20 to approximately 100 patients per day.

To help ensure the success of the Pilot Program, complete financial information should be accessible to clinic staff via Front Desk. Financial Counselors have historically used the PCIS funding notes feature to document information about patient financial arrangements. Funding notes have been available through Front Desk since December 2010. The banner on the Front Desk payment screen was also updated to include "account balance" (total balance including insurance liability and patient amount due) and "patient balance" (the amount due at that visit). However, AMAS learned from staff interviews that not many notes have been available in the system. Therefore, staff sometimes hesitated to request that the patient pay the account balance. In addition, patients were at times not willing

to schedule additional services until they were provided with the estimated cost. To assist with providing clarification to clinic staff and patients on the date of services, Revenue Cycle and Ambulatory Services managements may want to consider having one Financial Counselor available to float between clinics to resolve questions on a case by case basis.

During clinic site visits, we noted that not all locations had a private office or area that could be used to privately discuss financial issues with patients. Adding a partition in some patient check-in areas could remediate privacy concerns.

Clinic staff would also benefit from standard scripts to be used when requesting payments and discussing other financial matters with patients, and abbreviated instructions for cash collection, reconciliation and deposit preparation processes.

Management Corrective Actions:

1. Ambulatory Services and Revenue Cycle managements will determine the best delivery model and staff support for providing timely financial consultation services to the clinics.

2. Ambulatory Services management has developed scripts, and associated payment guidelines to assist clinic staff with payment collection.

3. Ambulatory Services management will consider identifying an office or other private space in each clinic that could be used when discussing financial issues with patients.

B. Front Desk User Procedures

Payment data entered into Front Desk was not accurate or complete in some cases. In addition, some Clinic Managers were either not aware of, or were not trained to use Front Desk reports to monitor batch status and other payment statistics.

Front Desk Payment Data Entry

A focused review of selected Front Desk Batch Reports (Batch Report) and download data files identified that data was not entered properly into certain fields by Front Desk users.

During clinic site visits, we observed the batch closing process in selected clinics. Staff had difficulty using the system correctly to complete that task in some cases. For example, in one case, Front Desk showed that the patient owed a co-payment of $20, but after making the payment, the patient advised the staff member that his

insurance carrier and co-payment amount had changed to $15. The staff member then voided the transaction and entered the new amount into the system to obtain a new receipt. However, because the actual amount collected was not equal to the amount in the system, and there was more than one transaction for one visit, the staff member could not resolve the unbalanced batch and had to make a notation on the printed Batch Report.

We also observed one Front Desk user that closed the Batch Report by entering zeros in a required input data field (i.e. payment received by type). She then waited for the system to show the payment totals based on input throughout the day, and printed the closed Batch Report. She reconciled the cash, checks and credit card slips with the closed Batch Report entries. If there were any variances between actual payments collected and the closed Batch Report, the Front Desk user was not able to make corrections to the transaction entries. Also, this modified closing procedure did not ensure that payments collected were properly entered into Front Desk, and did not use the Front Desk system totals as a control to verify total payments collected by type. This staff member stated that she had not received Front Desk training, and she relied on other staff to provide instruction on how to post transactions in the system.

Front Desk Deposit Preparation Process

Front Desk deposit bags included cash, checks, and credit card slips; patient receipts; the printed Front Desk Batch Report; and a Sub-Cashier Daily Report. The Sub-Cashier Daily Report was manually prepared by clinic staff, and included all the information included on the system generated Batch Report. Management required staff to prepare the Sub Cashier Daily Report to facilitate the reconciliation of cash and cash equivalents to Batch Report transactions; and to capture staff signatures, and cash over or short explanations.

Based on our review of deposit documents, we determined that the deposit document preparation process could be improved and in some cases streamlined by:

- Eliminating the Sub Cashier Daily Report
- Reconciling cash and cash equivalents directly to a printed copy of the Batch Report.
- Using the Batch Report to record cash over and short explanations
- Signing the Batch Report
- Affixing patient receipt copies to a standardized Outpatient Registration Receipt Log (***Attachment B***) in groups by payment type (Cash, Checks, and Credit Cards).

GE-IDX Front Desk Batch Review Process

To determine whether payment batches were reconciled and closed at the end of the business day, AMAS obtained clinic collections data for the period of October through December 2010. There were 57 business days in the period. A total of 2,651 payment batches were processed, representing collections of $845,881. Our analysis provided the following additional information:

Deposit Timeliness	***Number of Batches***	***Dollar Value***
Transactions processed within one business day	2,416 (91%)	$793,944 (94%)
Transactions outstanding after one business day	235 (9%)	$51,937 (6%)

Clinic staff achieved a 91% batch closure rate. If Clinic Managers helped to ensure that batches were closed as part of clinic closing procedures, additional improvement would likely be realized. Daily batch reconciliation and closure ensures that Batch Reports are printed and included in the daily deposit bag, and that Front Desk payment data cannot be further modified.

The GE-IDX *Introduction to Front Desk Activities* Manual (V4.0, October 2007) provides instructions for payment data input into the GE-IDX system. A refresher course on the content of the manual, and a desk procedure that includes references electronic and manual procedures would help to ensure that payment data is entered into the system correctly, and payments are posted timely. The complete Pilot Program patient cash collection process flow is depicted in ***Attachment A***.

Management Corrective Actions:

1. Ambulatory Services management will:

    a. Use the signed Batch Report as the primary source document for daily deposit transactions and discontinue the preparation of the Sub Cashier Daily Report.

    b. Provide staff with Front Desk training updates, as needed, to improve data entry and batch reconciliation procedures.

    c. Require Clinic Managers or Supervisors to verify that all daily payment batches have been closed at the end of each business day.

2. Medical Group management will develop a standard payment collection desk procedure to assist staff managing payment transactions, closing daily batches and preparing deposits in a consistent manner.

C. BUS 49 Compliance

Improvements to cash deposit chain of custody documentation and physical security controls would improve overall compliance with related BUS 49 requirements.

Cash Deposit Chain of Custody

BUS 49, Section IXA.3 states: "All cash transfers must be documented, and the documentation of accountability must be maintained by category (i.e., currency, checks, and other forms of payment)."

AMAS reviewed delivery receipts used by the clinics to document cash deposit transfers, and noted the following issues:

- Different delivery receipt forms were used by the clinics.
- Delivery receipts did not include all required information, including the service date, batch number, deposit bag number, and the clinic staff signature, and/or currier signature.
- A copy of the delivery receipt was not retained by the couriers.
- Deposit bags were sometimes mixed with other campus mail in open containers.

Chain of custody controls would be improved by implementing a standardized cash deposit transfer procedure for all clinics to ensure that cash transfers are documented and signed, transfer receipts are retained by all affected parties, and cash deposits are transported separately, in a secure container.

Cash Security

In February 2011, as part of an organization of Medical Group business processes, the responsibility for processing cash deposits for clinics using the Front Desk batch deposit process was transferred to the SOM Controller's Office. Deposit bags prepared in each of the Front Desk clinics were transported to the SOM Controller's Office for interim processing and secure storage; before being deposited with the Campus Cashier's Office.

BUS 49, Section IX.3 states: "if more than $2,500 in cash and securities is regularly on hand, the cash handling unit shall install a manual robbery alarm system must be installed for use during business hours to alert campus police (or the local police department for off site locations) if an irregularity occurs." We noted during a site visit to the SOM Controller's Office, that an alarm system had not been installed.

BUS 49, Section IX.17 allows sub-cashiering stations and cash handing departments that transport cash and cash equivalents to a Main Cashiering Station

to use two employees to transport (walking or driving) the deposit to the Main Cashiering Station. However, if the deposit is in excess of $2,500, BUS 49 requires that employees be escorted by a Campus Security or Police Officer. The SOM Controller's Office staff routinely transported deposits in excess of $2,500 to the Campus Cashier's Office without requesting an escort.

Cash Handling Training

BUS 49, Section IX 15, requires that cash handling training be provided to all employees who handle cash at once per year to refresh employee knowledge of cash policies, and procedures, and to provide updated information. We noted that not all staff attended initial or annual cash handling training.

UCSD Staff Development offers periodic cash handling training online or in class. These courses provide an understanding of cash payment handling and the distinctive responsibilities. Specific BUS-49 policy requirements included in training discussions include segregation of duties, and cash accountability, physical security, and reconciliation.

Management Corrective Actions:

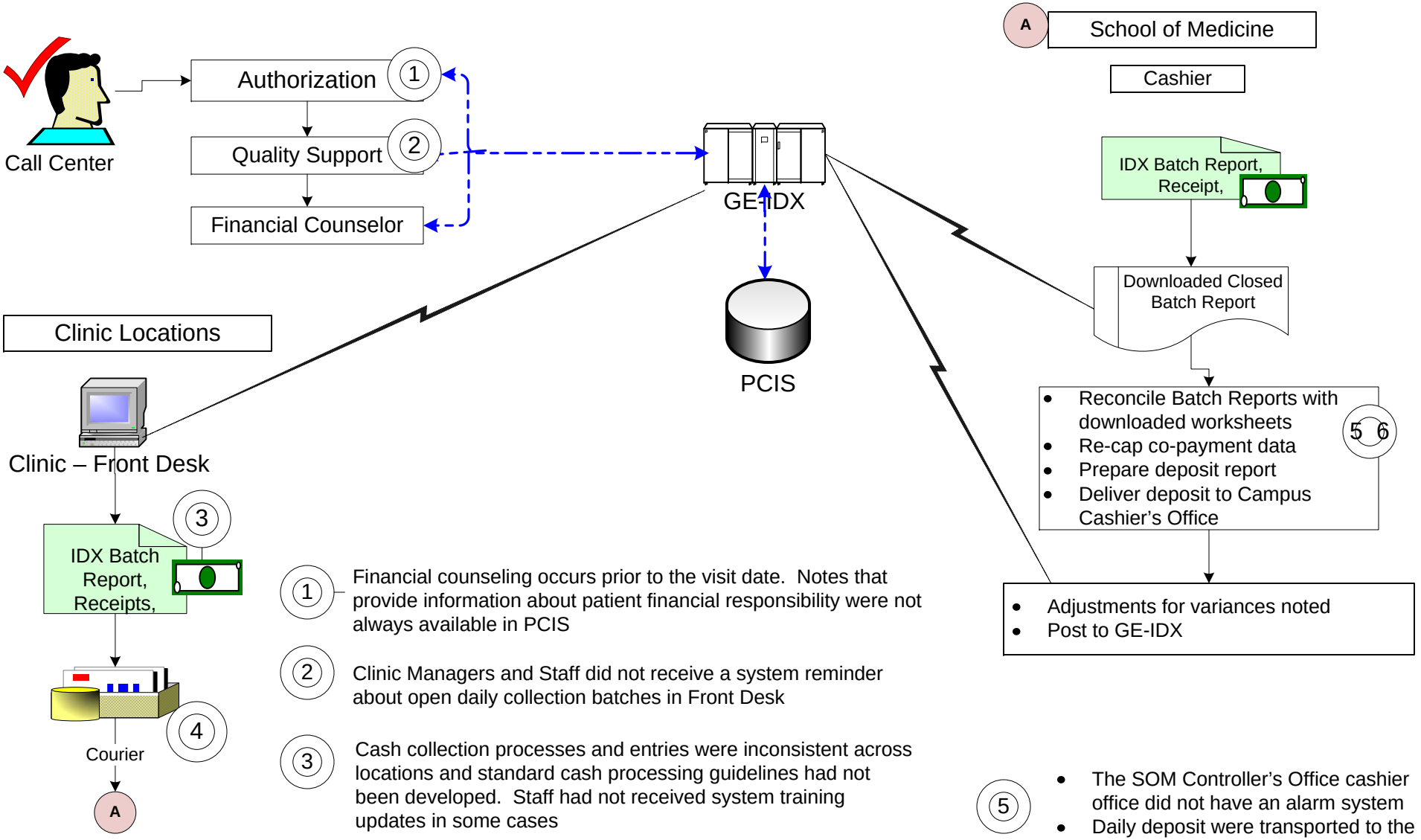
1. Medical Group and SOM Controller's Office managements will improve chain of custody controls for cash deposits by formalizing cash deposit transfer and transport process documentation.

2. The SOM Controller's Office will:

    a. Install an alarm system to ensure physical security of cash retained overnight.
    b. Ensure that staff that transport daily deposits to the Campus Cashier's Office will be accompanied by an escort, as appropriate.

3. Ambulatory Services, SOM Controller's Office, and Medical Group managements will require staff that perform sub-cashiering activities cash to attend cash handling training.

Clinic Collection Process – Patient Pre-Payment
AMAS Project #2011-27
Patient Payment Collection Processes – Pilot Program



1. Financial counseling occurs prior to the visit date. Notes that provide information about patient financial responsibility were not always available in PCIS

2. Clinic Managers and Staff did not receive a system reminder about open daily collection batches in Front Desk

3. Cash collection processes and entries were inconsistent across locations and standard cash processing guidelines had not been developed. Staff had not received system training updates in some cases

   A number of clinics did not have a private space available to discuss financial information and payment arrangements with patients

4. Delivery receipts and procedures were not consistent across clinic locations. The transport container was not closed to ensure physical security in transit

5.
   - The SOM Controller's Office cashier office did not have an alarm system
   - Daily deposit were transported to the Campus Cashier's Office unescorted

6. Cashiers did not attend annual cash handling training

◎ Control Weaknesses

Attachment A

Audit & Management Advisory Service
Clinic Payment Collection Process, Project #2011-27
Outpatient Registration Receipt Log

Name:_____ Location: _____ Batch# _____

CASH	CHECKS	CREDIT CARDS

Attachment B