UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT & ADVISORY SERVICES

Clinical Funds Flow Review
Project #23-009

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University of California
San Francisco

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SUBJECT: Clinical Funds Flow

As a planned internal audit for Fiscal Year 2023, Audit & Advisory Services ("A&AS") conducted a review of the allocation of clinical funds between UCSF Health and UCSF School of Medicine. The purpose of this review was to assess the processes and internal controls in place for updating payment components of the Tier 1 clinical funds flow payments.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the "IIA Standards").

Our review was completed and the preliminary draft report was provided to department management in February 2023. Management provided their final comments and responses to our observations in April 2023. The observations and corrective actions have been discussed and agreed upon with department management and it is management's responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Executive Committee, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn
Chief Audit Officer
UCSF Audit & Advisory Services

EXECUTIVE SUMMARY

I. BACKGROUND

As a planned audit for Fiscal Year 2023, Audit and Advisory Services (A&AS) conducted a Clinical Funds Flow review to assess the adequacy of the internal controls and processes for ensuring accurate assessment and allocation of clinical funds.

The Clinical Funds Flow process was implemented July 1, 2014 as a way to financially align and better integrate specific organizations within the UCSF Health System. It is a way to compensate 25 Clinical Departments for the services provided by the providers in their group.

The general process of the Model is that UCSF Health collects revenue for clinical services at UCSF and covers patient care expenses. While the UCSF Health System encompasses many organizations, the Clinical Funds Flow process specifically targets only **UCSF Medical Center (MC)** and the **School of Medicine (SOM)**. Services provided to Benioff Children's Hospital San Francisco and UCSF Benioff Children's Hospital Oakland are included in the Clinical Funds Flow Process.

Payments to UCSF School of Medicine Departments are made based on Tier classification. The four Tiers are:

- Tier 1: productivity-based payment as measured in work RVUs (wRVUs) with the Department covering faculty salaries and clinical departmental expenses.
- Tier 2: payment based on operating income above budget shared between Health System, Academic Grants, and School of Medicine Departments.
- Tier 3: incentive payment based on achievement of Health System goals.
- Tier 4: payment based on staffing for a few areas that are needed to be staffed for patient safety, regulatory mandates, or good patient care that do not generate enough wRVUs to support the necessary services.

The funds flow payment model is set up in the Decision Analytics Reporting Tool (DART), which automates most of the calculations needed for payments and creates journal entries. Some adjustments cannot be done within the DART automated system and are entered as manual journal entries or reconciliations with documentation supporting the calculations.

Fiscal Year 2022, Tier 1 payments to departments totaled $285 Million and Tier 4 payments totaled $196 Million. Tier 2 and 3 models are not currently operational. Miscalculations or errors in Model set-up can cause significant impact to both UCSF Health and Departments in budgeting and operations.

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to validate the effectiveness of controls in place to implement model rules and to ensure accurate payments; assess the adequacy of change management and exception management processes and identify opportunities for improvements of the funds flow activities. Clinical Funds Flow Model components currently under A3 process improvement efforts were excluded from the scope. The

scope of the review covered Tier 1 transactions and activities for the period January 1, 2022 through August 31, 2022.

Procedures performed as part of the review included validating that updates to CPT codes and associated wRVUs were implemented accurately; specialty rate changes were appropriately analyzed, approved, and implemented; providers were mapped accurately; payments made to two selected departments were accurate; and monitoring and reconciliations were performed to identify and remediate variances. For more detailed steps, please refer to Appendix A.

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 the month of January 2023.

III. SUMMARY

Based on work performed, controls are operating effectively to implement updates and changes to Funds Flow Model payment components and accurately calculate and effect payments to departments. Payments made to two sample departments chosen based on the number of changes affecting them during the scope period were reviewed and determined to be accurate. A&AS reviewed the adequacy and effectiveness of internal controls over the Funds Flow payment operation and determined the following:

Provider Payment Rates

- Medical Group Management Association (MGMA) rate methodology was calculated accurately and rate methodology analysis was documented/supported adequately.
- Updates to payment rate methodology were approved by the appropriate governing body (Faculty Practice Advisory Committee)
- Medical Group Management Association (MGMA) rates were uploaded in DART system accurately.

wRVU Assignment

- Centers for Medicare and Medicaid Services (CMS) data are implemented and updated correctly in the DART system, and wRVUs are calculated accurately.

Reconciliations

- The process of mapping new providers and removing inactive providers after a suitable lag period to allow for delayed charge posting and reimbursements is in place.
- FPO management has a process in place to reconcile department's payments automatically and review each month to identify/communicate and fix any variances between APEX and DART systems.
- FPO management has a process in place to manually reconcile department's payments that are not going through the system and automate these reconciliations as appropriate.

During the course of this review, potential opportunities for improvements were noted for enhanced process efficiency in the mapping of new providers, automating reconciliations and variances timely follow-up (see section IV below).

IV. OPPORTUNITIES FOR IMPROVEMENTS

No.	Observation	Risk/Effect	Recommendation
1	***Timely mapping of providers to the related specialty will reduce the manual efforts needed to reconcile payments.*** Providers were not always mapped to the related specialty by the close of each month to be included in the Funds Flow Payments. Specifically, A&AS reviewed and selected all providers that had unknown specialty from DART during FY 2022. A&AS provided this list to FPO Personnel for further review. FPO personnel reviewed the 140 providers and provided the following explanations: • Seven providers had charged incorrectly and had wrong provider's names. These were charge corrected in Apex by MGBS to net out to zero when identified. • Approximately 33 unmapped providers were mapped timely during Fiscal Year 2022. This list included the providers that were changed from resident/fellow to attending. • 60 are still a Resident or Fellow and should not be mapped. • 17 were identified as inactive providers. • 14 were identified as non-UCSF providers and should not be mapped. • 4 were purposely not mapped (2 Pharmacists, 1 is 50% ACGME Fellow, one Staff Model (no T1 wRVU yet). • One was a test provider. There is review process in place to ensure providers are mapped properly; however, the follow up process with departments to identify appropriate provider mapping is manual and can require multiple iterations. Once the mapping has been corrected, reconciliations that are also manual are performed, requiring additional effort.	Unmapped providers to related specialties can lead to inaccurate funds flow payments. Manual efforts reduce operational efficiency and create the potential for increased errors.	Although FPO management has a review process in place to ensure that providers are mapped properly, the process could be enhanced by SOM departments reviewing and communicating provider's mapping more timely.
2	***Continuing to automate reconciliations currently being performed manually will improve operational efficiency.***	Lack of operating efficiency can increase the chance of errors,	Recognizing conflicting priorities, FPO management should continue to review and determine which one of the

No.	Observation	Risk/Effect	Recommendation
	A&AS reviewed manual reconciliations that were done from January 2022 to August 2022 and verified that a manual reconciliation process is in place to review departments payments that are not going through the system. FPO Management has automated eight previously manual reconciliations at the time of the review. However, A&AS observed that three additional manual reconciliations could have been automated to operate more efficiently.	underestimations, or overestimations in funds flow payments.	manual reconciliations can be automated to operate more efficiently. FPO management have automated the following for during the audit period: • AHF Cardiologists • IP eConsults • OP eConsults - Specialists • Panel Model • Scheduled Telephone FU Visit • Pathology Modified wRVUs • OP Shared Visits • Allergy Supervision In addition, FPO management stated that they are planning to automate the following: • Lactation Holds • DDS Revenue • OH Expense Reversal DDS
3	***Timely review by departments and detailed documentation of reconciliation process results by FPO, including errors identified, can help reduce delayed error identification and remediation efforts needed.*** Review of a random sample of three manual reconciliations identified one delay where earlier notification by the department could have allowed for correction prior to payment, eliminating the need for additional steps to be taken that may lead to a delay in funds flow reconciliation.	Inadequate supporting documentation and lack of timely communication can limit trend identification and feedback to upstream participants for	Although the risk impact on Funds Flow Payment is low, it is important as the specific details change (e.g., new providers, cost centers, rates, etc.), these changes will be reviewed and fixed timely. In addition, the result should be documented adequately for further review.

No.	Observation	Risk/Effect	Recommendation
	Since additional effort is required from the FPO to identify and correct errors from upstream processes, having more detailed documentation of errors identified and resolution could help the FPO in supporting feedback to be provided to departments so that error corrections can occur prior to funds flow activities.	reducing future errors.	

APPENDIX A

To conduct our review the following procedures were performed for the areas in scope:

- Reviewed relevant Model documents, including the draft MOU and Model Guide.
- Reviewed Model set-up in DART.
- Reviewed rate methodology for Fiscal Year 2022 and Fiscal Year 2023.
- Reviewed governance structure of the funds flow process related to payment updates.
- Reviewed change management processes.
- Interviewed key department personnel from Faculty Practice, SOM, Finance.
- Assessed the effectiveness of the monitoring and reconciliation reports and procedures for assuring accuracy of payments.
- Reviewed and assessed the effectiveness of the provider's mapping process.
- Assessed process controls for adjustments to the Model Validated that payments were made according to Model Rules for a selection of departments.
- Reviewed a sample of manual journal entries to validate the accuracy of the transactions.