

**UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**UC Davis Health
Hospital-Based Clinics
Audit & Management Advisory Services Project #21-33**

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**Hospital-Based Clinics
AMAS Project #21-33**

MANAGEMENT SUMMARY

Background

As part of the fiscal year (FY) 2021 audit plan, AMAS performed a review of clinical billing processes that are impacted by distinctions between Hospital-Based and Non-Hospital Based designations.

Whether services are rendered at an outpatient clinic designated as Hospital-Based or Non-Hospital-Based impacts reimbursement amounts, and is reflected in claims in the form of Place of Service (POS) codes. Clinics are assigned a default POS code in the billing system, which can be changed manually prior to claim submission. Hospital-Based clinics are identified by POS codes 19 “Off-campus – Outpatient Hospital” and POS 22 “On Campus – Outpatient Hospital¹.” Non-Hospital-Based outpatient clinics examined in this review are identified by POS code 11 “Office.” Claims billed with POS codes 19 or 22 may charge a facility fee, unlike claims billed as POS 11.

Purpose and Scope

The purpose of this audit was to determine whether Health is applying POS codes to claims consistently with its designations of clinics as Hospital-Based or Office. It was not our purpose to question whether the current designation of POS codes satisfies regulatory requirements.

To accomplish our objectives, we interviewed leadership and staff from the UCDH Revenue Services and Health Information Management. Our audit procedures included researching relevant guidance and authority; inspecting State licensing; analyzing current billing processes; and testing select appointment and claims data for services provided in September 2020.

Conclusion

We determined that the billing process effectively distinguished between Hospital-Based and Office clinics on claims submitted to payors; only one instance of a Hospital-Based clinic being billed as an Office was found.

One of the sampled clinics had a default Hospital-Based clinic POS code that did not match the place of service as determined by Health’s Government Reimbursement office. As a result, one percent of the charges audited were billed with the incorrect Hospital-Based POS code².

We identified a need for detective controls to identify errors in billing for place of service.

¹ See Appendix 1 for Place of Service Codes and descriptions relevant to this audit.

² This review evaluated claims prepared and submitted to payors, but not the collections from these claims. Therefore, we cannot comment on the impact to revenue.

Observations, Recommendations, and Management Corrective Actions**A. Place of Service Codes for Hospital-Based Clinics**

In limited cases, incorrect POS codes were assigned to charges originating from Hospital-Based clinics.

The POS code assigned to each department is determined by the Government Reimbursement Office at Health. Once the code is determined, it is programmed into the department file for each clinic. This default place of service code populates the POS field when a claim is created.

Our testing revealed inconsistencies in the assignment of the two hospital-based place of service codes, POS 19 for Off-Campus Hospital-Based and POS 22 for On-Campus Hospital Based.

Formerly, Hospital-Based clinics billed under POS 22. In November 2015, CMS began to require POS 19 for Off-Campus Hospital-Based clinics. One clinic that fell under this rule, Midtown Cancer Center, was found to be defaulting, and therefore often billing, improperly as POS 22 rather than POS 19.

We also identified that Midtown Neuropsychology does not have a default place of service code configured in the billing system. Coders must manually assign a place of service code to claims from these clinics.

Recommendations

Revenue Services should confirm with Government Reimbursement which POS codes should be assigned to Hospital-Based clinics, and ensure that they are reflected accurately in the billing system.

The EMR has logic programmed into its billing modules that edits a claim's place of service code if the default is not accepted by a payor. For any clinic where place of service code is changed upon review by Government Reimbursement, the impact of the code change on downstream claim editing needs to be assessed and modified if needed.

Management Corrective Actions

- 1) By October 1, 2021, Revenue Services will confer with Government Reimbursement to confirm the place of service type for each Hospital-Based clinic. The resulting place of service type will be reconciled to the default POS code for the clinic in the billing system.
- 2) By October 1, 2021, Revenue Services will evaluate the impact of any POS code changes on claim edits in the billing system and implement necessary modifications.

B. Controls Over Claim Edits

Detective controls are needed to identify POS error on billed claims.

Medical Services Abstractors (Coders) sometimes need to change POS codes for legitimate business purposes. When an appointment occurs via telehealth, rather than in person, the POS needs to be changed from its default to POS 2. This occurrence has become more frequent with the increase of telehealth appointments in response to the COVID-19 pandemic.

We observed instances of Coders changing default POS codes. This was done because Coders believed that the default POS code was incorrect, as mentioned in Observation A. This condition existed for at least four months prior to its discovery during this review. AMAS did not identify detective controls that could have alerted management of these occurrences.

If potential errors are identified regarding place of service, rather than making a change to place of service that will go undetected, Coders should have an avenue to inquire and resolve questions and potential issues.

Additionally, we observed that manual error is possible and occurs when Coders change POS codes. In one case a POS 2 was required but an additional keystroke resulted in the submission of a claim with a POS 22 code.

Recommendations

Coders should be instructed not to change default place of service codes between POS codes 19: Off-Campus – Outpatient Hospital, 22: On Campus – Outpatient Hospital, and 11: Office.

Coders should receive training on the process for communicating potential errors they identify to the relevant party.

Revenue Services should develop reporting and a regular review process for charges submitted to payors using a POS code other than the originating clinic's default.

Management Corrective Actions

- 1) By October 1, 2021, Revenue Services will educate Coders not to change POS codes between 19: Off-campus – Outpatient Hospital, 22: On Campus – Outpatient Hospital, and 11: Office.
- 2) By October 1, 2021, Revenue Services will educate Coders to communicate issues to process owners through the Revenue Integrity system for resolution.
- 3) By October 1, 2021, Revenue Services will implement a reporting mechanism into its Revenue Integrity Dashboard that, on a weekly basis, communicates charges to management for which the POS code has been changed.

Appendix I: Place of Service Codes for Professional Claims

Place of Service Code	Place of Service Name	Place of Service Description ³	Bills for Facility Fee?	Professional Fee Reimbursement
11	Office	Location, other than a hospital, skilled nursing facility (SNF), military treatment facility, community health center, State or local public health clinic, or intermediate care facility (ICF), where the health professional routinely provides health examinations, diagnosis, and treatment of illness or injury on an ambulatory basis.	No	Higher
19	Off Campus-Outpatient Hospital	A portion of an off-campus hospital provider-based department which provides diagnostic, therapeutic (both surgical and nonsurgical), and rehabilitation services to sick or injured persons who do not require hospitalization or institutionalization.	Yes	Lower
22	On Campus-Outpatient Hospital	A portion of a hospital's main campus which provides diagnostic, therapeutic (both surgical and nonsurgical), and rehabilitation services to sick or injured persons who do not require hospitalization or institutionalization.	Yes	Lower

³ Place of Service description Center for Medicare & Medicaid Services definition. Source: www.cms.gov/Medicare/Coding/place-of-service-codes/Place_of_Service_Code_Set