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**Subject: COVID-19 Testing Agreements - UCSDH
Report No. 2022-13A**

The final report for COVID-19 Testing Agreements - UCSDH, Report No. 2022-13A, is attached. We would like to thank all members of the COVID-19 Operations team and Management for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans 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. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

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Attachment

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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

COVID-19 Testing Agreements
UC San Diego Health
Report No. 2022-13A
February 2022

FINAL REPORT

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of COVID-19 Testing Agreements performed through University of California San Diego Health (UCSDH) as part of the approved audit plan for Fiscal Year 2021-22. The objective of our review was to evaluate whether internal controls and business processes related to external COVID-19 Testing Agreements provide reasonable assurance that expenses are reconciled accurately and completely and facilitate reimbursement of incurred expenses from external organizations.

Based on our review, we concluded that internal controls and business processes related to external COVID-19 Testing Agreements need improvement to provide reasonable assurance that expenses are reconciled accurately and completely and facilitate reimbursement of incurred expenses from external organizations. The COVID-19 operations team was established quickly to respond to the needs of the UCSD and greater San Diego communities. UCSD has been overall effective in implementing the testing with the appropriate agreements and approvals.

However, we noted opportunities for improvement in the business processes related to the accuracy and timeliness of charges, billing, reconciliation, and facilitating reimbursement of incurred expenses from external organizations. During our review we noted that resource constraints and a lack of documented processes and procedures and cross training created challenges in efficiently and effectively managing all the responsibilities of the COVID-19 corporate accounts. We also identified instances in which corporate accounts had outstanding past due balances, late payments and late billing statements, and a significant number of reviewed accounts had adjustments that needed to be corrected before the statement could be processed.

Finally, we noted the importance of compliance with the new legislation, Senate Bill (SB) 510, regarding processing of billing for COVID-19 testing. Management Action Plans to address our findings are summarized below:

A. Charge Reconciliation, Billing and Collection Processes

1. Follow-up and corrections will be made to the nine corporate accounts identified with billing and/or reconciliation issues.
2. Hospital Billing will implement documented desk policies and procedures for the corporate account charge reconciliation process, billing and collections, and work queue management for UCSDH COVID-19-related agreements.
3. The COVID-19 Operations Team will continue to provide ongoing training for front-end registration staff to ensure the correct billing indicator is being entered at patient registration into EPIC.
4. Hospital Billing management will evaluate whether additional resources can be identified to assist with hospital corporate account billing.
5. Hospital Billing management will cross-train one or more additional personnel to manage the business process for hospital corporate billing management.

B. SB 510 Health Care Coverage: COVID-19 Cost Sharing

1. Revenue Cycle Management will document the process for addressing the new legislation in COVID-19 testing billing processes, including documenting, in writing, the guidance from legal counsel on the corrective actions to modify, as appropriate, current procedures.

Observations and related Management Actions Plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of COVID-19 Testing Agreements performed through University of California San Diego Health (UCSDH) as part of the approved audit plan for Fiscal Year 2021-22. This report summarizes the results of our review.

Coronavirus disease (COVID-19) is an infectious disease caused by the SARS-CoV-2 virus. California reported its first coronavirus death on March 4, 2020 and within 15 days Governor Gavin Newsom issued a first-in-the-nation mandate for all 40 million residents to shelter in place to slow the virus' spread. As the COVID-19 pandemic developed over 2020 and into 2021, UCSDH has provided coronavirus-related testing services for the health and safety of patients, students and the campus community. This testing is available at various venues throughout the San Diego area including locations in La Jolla, Hillcrest and Chula Vista.

With the quick onset of this pandemic, UCSDH implemented testing agreements with external third parties to assist the community in slowing down the spread of the disease. UCSDH leadership began to address the external testing capacity across the organization in April 2020 by first implementing a Testing and Utilization Committee for visibility, forecasting and communicating. All requests for COVID-19 testing were to go through this committee. All agreements were documented and implemented by either the UCSDH Legal or Contracting. Rates were established based on feedback from leadership in areas including, but not limited to, Compliance, Legal, and Revenue Cycle. The agreements were similar in that they were established with equivalent terms since UCSD is offering the same services to all external third parties. Subsequently, in October 2020, UCSD also created a "Front Door Committee" where any request for testing services was first reviewed. After review, testing services may be provided by UCSDH or recently established Expedited COVID-19 Identification Environment (EXCITE) lab under the oversight of faculty in the UCSD School of Medicine. The Front Door committee dissolved in early 2021 due to a lack of need, but the Testing and Utilization Committee continues to operate.

During our review, there were approximately 46 active corporate account agreements for services provided by UCSDH. In addition to the agreements serviced by UCSDH, UCSD has 18 external clients with agreements or letters of engagement and three UCSD internal clients with letters of engagement with the EXCITE lab. These two labs have been ramping up sample processing which has allowed UCSD to extend its ability to test individuals who are both symptomatic and asymptomatic. Both labs are on target to provide approximately 6,000 tests per day if needed.

Below is a for a summary of charges, payments and adjustments for all the corporate accounts for UCSDH since inception of the COVID-19 testing through August 31, 2021.

UCSDH Testing Services (3/1/2020 - 8/31/2021)	
Total Charges	\$5,152,457
Total Payments	(\$3,723,712)
Total Adjustments	(\$956,804)
Total Accounts Balance	\$471,941

Cost Sharing for COVID-19 Testing Legislative Update

New California Legislation, Senate Bill (SB) 510, related to health care coverage for COVID-19 cost sharing, was signed by Governor Newsom on October 8, 2021. SB 510 significantly expands the obligation of fully-insured health plans to cover costs associated with COVID-19 testing. As a result, cost-sharing for COVID-19 testing, including travel testing, for members of the public is currently paused since this new California legislation requires the billing of health insurance for all COVID-19 testing, including testing that is for personal use or not medically necessary.

Community COVID-19 Travel Testing

UCSD provides "Fit to Travel" COVID-19 PCR tests that can be used for travel to Hawaii and other destinations. It is the responsibility of the traveler to ensure that the UCSD testing is accepted by their destination and to schedule testing so that results are received prior to departure. UCSDH is a trusted testing partner for the State of Hawaii's Safe Travels Hawaii program. The UCSDH lab is Clinical Laboratory Improvement Amendments (CLIA)-certified and the COVID-19 test is a Nucleic Acid Amplification Test (NAAT), as required by the Safe Travels program.

This report reviews testing agreements and services provide by UCSDH. A separate report, *COVID-19 Testing – Expedited COVID-19 Identification Environment (EXCITE) Lab Report #2022-13B*, will be issued for the detailed evaluation of internal controls and business processes related to external COVID-19 testing at the EXCITE lab.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to evaluate whether internal controls and business processes related to external COVID-19 Testing Agreements provide reasonable assurance that expenses are reconciled accurately and completely and facilitate reimbursement of incurred expenses from external organizations. The scope of this report is the testing agreements and services provided by UCSDH. Agreements through the *EXCITE* Lab are addressed in a separate report.

In order to achieve our objective, we performed the following:

- Reviewed applicable University policies including: UCSD Recharge Policy; BFB A-47: Direct Costing Procedures; UCSDHP 724.1 Charge Capture; and UCOP H-576-60 Medical Centers: Patient Account Receivables;
- Interviewed:
 - UCSDH COVID-19 Operations team management including the Director of Clinical Labs; Division Chief for Laboratory and Genetic Medicine; Vice Chair of Department of Pathology; Director Revenue Cycle Administration; Assistant Dean Clinical Affairs and Senior Director of the COVID-19 Operations Team; and Strategy Manager of the COVID-19 Operations Team;
 - UCSDH Laboratory Administrative Director and Business Manager;
 - Director of the Medical Center Business Office and Hospital Billing (HB) Specialty and Corporate Accounts Biller;
 - The Director of System Patient Revenue Cycle;

- The Decision Support Manager of Revenue Cycle Reporting;
- Evaluated:
 - The roles and responsibilities of the COVID-19 Operations team and the process for initiating and implementing new agreements, implementing new clients into the UCSD Financial System for testing, billing, collection and reconciliation;
 - Reports utilized by the COVID-19 Operations team;
 - Completeness of corporate account agreements and reviewed a sample based on highest dollar and volume of testing for documentation, approvals, pricing and billing stipulations as well as contract terms and conditions;
 - The process for UCSDH COVID-19 corporate account billing, collection and reconciliation;
 - The three work queues for COVID-19 testing and the process to monitor and manage;
- Tested:
 - Judgmentally selected a sample of ten UCSDH COVID-19 corporate accounts to review EPIC account data including: outstanding balances, accurate pricing verified by agreement and timely billing and collection.

IV. CONCLUSION

Based on our review, we concluded that internal controls and business processes related to external COVID-19 Testing Agreements need improvement to provide reasonable assurance that expenses are reconciled accurately and completely and facilitate reimbursement of incurred expenses from external organizations. The COVID-19 operations team was established quickly to respond to the needs of the UCSD and greater San Diego communities. The team has been overall effective in implementing the testing with the appropriate agreements and approvals. However, we noted opportunities for improvement in the business processes related to the accuracy and timeliness of charges, billing, reconciliation, and facilitating reimbursement of incurred expenses from external organizations.

During our review we noted that resource constraints, lack of documented processes and procedures and cross training created challenges in efficiently and effectively managing all the responsibilities of the COVID-19 corporate accounts. We also identified instances in which corporate accounts had outstanding past due balances, late payments and late billing statements, and a significant number of reviewed accounts had adjustments that needed to be corrected before the statement could be processed. The HB Specialty and Corporate Accounts Biller (responsible for these corporate accounts) works diligently to process the accounts, making adjustments as needed and researching issues as they arise, but it is a time consuming and manual process. Without backup personnel and additional resources, the ability to review and verify charges before processing is limited to the resources and time available. The current resources do not appear adequate to effectively and efficiently manage these accounts. In addition, continued training for the front-end registration staff is integral to the success of the charges being applied to the appropriate corporate account.

We also identified an opportunity for improvement related to policies and procedures for corporate billing and managing work queues. There were no documented policies or desk procedures for processing of charges for services rendered, established standards for timeliness and accuracy, error corrections and charge and payment reconciliation procedures. This would be a helpful tool for current

and future billing staff to cross-train and verify process steps are accurate and in compliance with department expectations.

Finally, we noted the importance of compliance with the new legislation, SB 510, regarding processing of billing for COVID-19 testing. Management advised that Health Legal provided them direction on how to implement this new requirement. Implementation should be documented in writing and verified for strict compliance with the new law.

These observations are discussed in greater detail in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Charge Reconciliation, Billing and Collection Processes
Resource constraints, and lack of documented processes and procedures and cross training created challenges in efficiently and effectively managing the responsibilities of the COVID-19 corporate accounts. Our review of ten UCSDH COVID-19 corporate accounts showed that nine of the ten had adjustments and outstanding unpaid balances and one had an inaccurate adjustment that needed to be corrected.	
Risk Statement/Effect	
Inconsistent charge reconciliation processes, in addition to lack of sufficient resources or cross-training, could lead to billing errors resulting in missed or inaccurate patient revenue and reconciliation, as well as strained personnel resources.	
Management Action Plans	
A.1	Follow-up and corrections will be made to the nine corporate accounts identified with billing and/or reconciliation issues.
A.2	Hospital Billing will implement documented desk policies and procedures for the corporate account charge reconciliation process, billing and collections, and work queue management for UCSDH COVID-19-related agreements.
A.3	The COVID-19 Operations Team will continue to provide ongoing training for front-end registration staff to ensure the correct billing indicator is being entered at patient registration into EPIC.
A.4	Hospital Billing management will evaluate whether additional resources can be identified to assist with hospital corporate account billing.
A.5	Hospital Billing management will cross-train one or more additional personnel to manage the business process for hospital corporate billing management.

A. Charge Reconciliation, Billing and Collection Processes – Detailed Discussion

UCSDH Charge Capture Policy

Per UCSDHP 724.1 Charge Capture:

- It is the policy of UC San Diego Health and its affiliated businesses to ensure the timely and accurate processing of charges in order for appropriate reimbursement and to associate accurate costs with the services rendered.
 - Charges should be resubmitted within seventy-two (72) hours if identified for corrections on EPIC Account, Charge Review, Claim Edit or Router Review work queues or identified for correction by other means.
- Department Managers are responsible for:
 - Timeliness and accuracy and ensuring that documentation supports charges, charge entry, error correction, and charge reconciliation procedures are implemented and followed, and ensuring that employees are trained in procedures and systems; and
 - Reviewing available charge reconciliation and departmental revenue reports to ensure that charges are accurately posted and recorded.

In addition, the *University of California (UC) Accounting Manual, Medical Centers: Patient Account Receivables H-576-60* policy states that:

- All revenue generating centers are responsible for ensuring timely and accurate submission of individual charge transactions into the billing system.
- Charges or credits should be submitted no later than two business days following service so that bills can be prepared.
- Each month, all patient receivable accounts that have become 90 days old must be reviewed and necessary follow-up action performed.
- Procedures which assure timely follow-up of third party sponsored accounts that should also be established as appropriate.

AMAS Sample Review Results

We evaluated a sample of charge activity for ten corporate accounts from March 1, 2020 to October 31, 2021 and noted total outstanding charges for this time period from inception of the COVID-19 testing was equal to \$866,465 for these accounts. We noted the following related to the ten corporate accounts reviewed:

- #1: No noted issues;
- #2: Outstanding balance of \$680 from May to August 2021, and the September and October 2021 charges of \$774,200 have not yet been billed;
- #3: Outstanding balance of \$37,925 from October 2020 to October 2021 since check payments were returned by the UCSD bank. It is unclear why these payments were returned by the bank. As a result, Automated Clearing House (ACH) has since been set up, and UCSD is awaiting payment. In addition, this account had a noted error in the adjustment calculation for January 2021 charges and an additional \$425 needs to be adjusted off;
- #4: Outstanding balance of \$22,275 from January to September 2021 and none of these invoices have yet been billed;

- #5: Outstanding balance of \$8,920 from June 2021 to October 2021 all of which were not billed until December 8, 2021; November 2021 has not yet been billed;
- #6: Outstanding August 2021 bill of \$11,300 that was deferred, corrected and billed out late on November 17, 2021;
- #7: Outstanding balance of \$225 from March 2020 to July 2021 which was never billed. There are no recent charges and no agreement noted on file;
- #8: Outstanding balance of \$6,100 (\$2,550 billed September 1, 2021, due October 2021; \$3,550 billed December 6, 2021, due January 5, 2022);
- #9: Outstanding balance of \$240 from August 2020 activity, billed on October 1, 2020;
- #10: Outstanding balance of \$4,600 for charge activity from August 2020 to October 2021, not billed until December 14, 2021.

We have noted that the Hospital Billing Manager is required to make adjustments to a significant portion of the involved accounts and then subsequently set up the invoice to be billed. As a result, as of December 1, 2021, the September and October 2021 billings had not been processed due to those necessary changes plus some separate quarterly billing actions that were a higher priority. For several of these outstanding balances, September and October invoices have been corrected or billed in December. However, there are no additional personnel assigned to this area. Per discussion with management, backup personnel and additional resources with the ability to review and verify charges before processing would increase billing timeliness and efficiency.

Charge Reconciliation, Billing and Collection Process

Entities that have agreements with UCSD typically direct their students/employees to a unique dedicated website for their organization to register and schedule for COVID-19 testing. When the scheduled employee or student of the entity arrives for testing, the registrar is expected to select the appropriate billing indicator in the registration process so the billing will flow to the appropriate corporate account. This current registration and billing process has been designed to provide reasonable assurance that patient accounts are linked to the correct corporate account and underlying costs are properly reported. If the correct indicator is not chosen, and if there is no insurance coverage on the patient's account or it is not applicable based on the terms of the corporate account agreement, then it goes to a customer service team work queue. After that point customer service is expected to review the work queue and ultimately move the patient account to the correct corporate account work queue for processing.

Charges are applied to the account and the account closes on the last day of the month. There is some pre-bill work for entities that have multiple locations being used, and charges will need to be consolidated into one bill before the statement is prepared and sent out. Per billing management, billing for corporate accounts is typically done once a month and all adjustments and pre-billing tasks should be completed by the 15th of the following month after close before the statements are automatically generated in the system. Once all the charges are reconciled appropriately on the corporate accounts, a billing statement is prepared that goes to the entity requesting payment to UCSD. Although statements are generated in the system, they are not sent out until hospital corporate billing releases them after verifying that the charges are accurate.

All collections are reported back to the payments team. That team follows up for timely payment and

reconciliation of statements. If an entity does not want to send check payments, ACH can be utilized.

The external third-party agreements reviewed by AMAS had payment terms of 30 days. Of the ten corporate accounts we reviewed, we reviewed 61 statements with dates between March 1, 2020 and October 31, 2021. Of those 61 statements, only 51 (84%) were sent out to the responsible entities while the other ten (16%) have not been sent. We also noted out of the 51 statements sent:

- Nine (18%) were paid on time within the 30 day window;
- Six (12%) were paid late after the 30 day window;
- Eight (15%) have not been paid yet, and would be considered late (after the 30 day window); and,
- Twenty-eight (55%) statements were billed late and not due yet.

Continued training of the registration process would assist in timely and accurate charges posting to the correct accounts, reducing the risk for lost revenue and untimely and incomplete billing. Of note, management has indicated that this type of ongoing training has been essential due to the significant number of contracted staff required to be onboarded in the patient registration areas during the pandemic.

Desk Procedures

We also noted a lack of written desk procedures, which, considering the noted complexities of corporate account billing, would provide consistent processes related to this billing area and a tool for employees to be cross trained on. The documentation should include procedures for the processing of charges for services rendered, established standards for timeliness and accuracy, required documentation that supports charges, error corrections, and charge and payment reconciliation procedures. In addition, those procedures should include a complete list of work queues, along with the purpose and responsible party for each work queue, and a reconciliation that accounts are paid accurately in a timely manner or a write-off was approved appropriately.

Billing Personnel / Resources

During our review we noted resource constraints which impacted the effectiveness of the billing process. Management informed that resource constraints in this area were an issue prior to the COVID-19 pandemic. When the responsibility for this process was transferred to the current HB Specialty and Corporate Accounts Biller in 2018, there were half as many accounts and no COVID-19 testing accounts, therefore the workload was more manageable with just one dedicated employee. Hospital corporate accounts were worked on intermittently before 2018 when the prior employee responsible for these accounts left UCSD. Since the pandemic began, in excess of 100 corporate accounts were added, effectively doubling the number of accounts being managed by the current HB Specialty and Corporate Accounts Biller. In consideration of the significant number of current corporate accounts, and the fact that resources were already an issue prior to COVID-19, the current resources do not appear adequate to effectively and efficiently manage these accounts. Additional support for this area should be considered to improve timeliness and effectiveness of corporate account billing.

B.	SB 510 Health Care Coverage: COVID-19 Cost Sharing
California Senate Bill SB 510 presents challenges related to retroactive adjustments to patient accounts and re-billing to health insurance.	
Risk Statement/Effect	
Lack of compliance with the new Senate Bill 510 can result in criminal charges and public exposure.	
Management Action Plan	
B.1	Revenue Cycle Management will document the process for addressing the new legislation in COVID-19 testing billing processes, including documenting, in writing, the guidance from legal counsel on the corrective actions to modify, as appropriate, current procedures.

B. SB 510 Health Care Coverage: COVID-19 Cost Sharing – Detailed Discussion

SB 510 related to health care coverage for COVID-19 cost sharing was recently passed in the State of California on October 8, 2021. This bill significantly expands the obligation of fully-insured health plans to cover costs associated with COVID-19 testing during a declared public health emergency. SB 510 states it is retroactive to March 4, 2020 when the Governor declared the current state of emergency.

The existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the regulation of health care service plans by the Department of Managed Health Care and makes a violation of the act a crime. Existing law also provides for the regulation of health insurers by the Department of Insurance. Existing law limits the copayment, coinsurance, deductible, and other cost sharing that may be imposed for specified health care services.

As a result of this legislation, Revenue Cycle management has indicated that UCSD is no longer billing any patient financial responsibilities for COVID-19 testing. Per the new Senate Bill SB 510 for health care coverage for COVID-19 cost sharing, patients cannot be billed for testing, and insurance must pay. When Governor Newsom declared the State of Emergency, there was only guidance given to the insurance payors to process COVID-19 tests with no cost share, and this issue was unclear. Now, with this new bill, it clarifies that the guidance is to cover COVID-19 tests both for diagnostic and screening, including travel screening, at no cost to the patient.

This legislative change may have a significant impact on UCSD since there are not many other local organizations that offer self-pay drive through testing. As a result of this change, and based on guidance from Health Counsel¹, Revenue Cycle management has indicated they plan to review accounts and reach out² to patients with testing dating back to October 8, 2021, the date of this

¹ AMAS has not received or noted written documentation related to this legal advice from Health Counsel.

² Per the Revenue Cycle Director, their team has worked with patient communications to send a letter out to patients to request insurance information.

legislation. Based on their review, management expects to refund applicable patients and then rebill the insurance, and, if they have a history of tests or screening, they will include all of them retroactively. Management has reported that the billing department is receiving calls from insurance companies and patients continuously while addressing the work queue as resources permit and reaching out to the patients to obtain insurance information.