RESNICK NEUROPSYCHIATRIC HOSPITAL

REIMBURSEMENT FOR SENIOR CAPITATED MEDICAL GROUP PATIENTS

AUDIT REPORT #17-1204

Audit & Advisory Services

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###### Background

As part of the 2016-17 UCLA Health System audit plan, Audit & Advisory Services (A&AS) reviewed reimbursement received by the Resnick Neuropsychiatric Hospital (RNPH) from the Medical Group for services provided to senior capitated patients.

The UCLA Medical Group has capitated contracts with insurance plans, for which it is paid a fixed amount per patient each month for delivery of health care services. For psychiatric services, there is an internal agreement for the Medical Group to reimburse RNPH for the services it provides to senior capitated patients. The agreed-upon reimbursement rate of $9,750 per capitated inpatient admission to RNPH was effective as of November 1, 2010. For outpatient partial hospitalizations, RNPH has been reimbursed at a rate of $175 per day.

During fiscal year 2015-16, there was only one senior capitated contract in effect applicable to psychiatric services provided by RNPH. That contract is expiring at the end of December 2016, and RNPH does not expect to receive further coverage from a senior capitated plan thereafter.

###### Purpose and Scope

The purpose of the audit was to determine whether RNPH has been receiving the agreed-upon reimbursement from the Medical Group for services provided to senior capitated Medical Group patients. In addition, the audit assessed whether the reimbursement rates ensure that a consistent cost reimbursement level has been maintained.

The scope of the audit addressed the following areas:

* Senior Capitated Inpatients
* Senior Capitated Partial Hospitalizations

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included such tests, observations, and interviews considered necessary to achieve the objective.

###### Summary Opinion

Based on the work performed within the scope of the audit, while RNPH has been receiving payment from the Medical Group for services provided to senior capitated patients, the reimbursement level for inpatient services has significantly decreased in the last six years. In addition, outpatient partial hospitalization services provided to senior capitated patients have been reimbursed at a rate lower than the rate originally agreed upon in 2001.

The audit results and recommendations are detailed in the remainder of this audit report.

Audit Results and Recommendations

Senior Capitated Inpatients

RNPH administration identified 32 senior capitated patients who were admitted in fiscal year 2015-16. A&AS obtained the financial account information in CareConnect for these patients. Of the 32 patients, it was ultimately determined by Patient Business Services that three were not covered by the senior capitated contract. For the remaining 29, payments at the agreed-upon amount of $9,750 were received for all but one patient admission. Reimbursement for the one patient stay was denied. For the 29 patients, charges and payments totaled $2,021,046 and $273,000, respectively.

In addition to verifying that RNPH had been paid at the agreed-upon amount for the senior capitated inpatient admissions, the audit also evaluated whether the inpatient reimbursement rate had maintained a consistent reimbursement level for fiscal years 2010-11 to 2015-16. Using patient case and cost data provided by Decision Support, A&AS estimated the reimbursement level for each fiscal year.

Based on these estimates, the reimbursement amount of $9,750 did not maintain a consistent reimbursement level from fiscal years 2010-11 to 2015-16. The estimated reimbursement rate declined from 57% to 29% during that period. This reduction is primarily due to an increase in the average length of stay, from 10.9 days in fiscal year 2010-11 to 19 days in fiscal year 2015-16. The number of cases in each fiscal year ranged from 16 to 28, and estimated annual costs ranged from $315,536 to $957,068. See Attachment 1 for further details.

Recommendation: RNPH management should review the data and consult with the UCLA Health Chief Financial Officer to determine whether an increased reimbursement rate can be negotiated, to be applied retroactively for the fiscal years when the reimbursement level was significantly below the costs.

Response: UCLA Medical Group patients covered through the capitated senior plan were admitted to RNPH based on medical necessity and received care based on need. It is validating to know that these cases were reimbursed in accordance with our agreement. With the termination of the senior capitated plans, we will investigate whether there is any opportunity for a possible true up.

Senior Capitated Partial Hospitalizations

RNPH administration identified four senior capitated patients who received outpatient treatment in fiscal year 2015-16. Using RNPH financial statement data, A&AS identified an additional three senior capitated patients who also received treatment in the same fiscal year. A&AS obtained the financial account information in CareConnect for the seven patients. For the seven patients, payment was received at a rate of $175 per day for partial hospitalizations and $750 per treatment for electroconvulsive therapy for all but one patient. For the seven patients, charges totaled $45,732, and payments totaled $30,050. Reimbursement for one patient’s treatment was denied.

In addition to verifying that RNPH had been paid for the senior capitated outpatient treatments, the audit also evaluated whether the outpatient reimbursement rate had maintained a consistent reimbursement level for fiscal years 2010-11 to 2015-16. Using patient case and cost data provided by Decision Support, A&AS estimated the reimbursement level for each fiscal year.

Based on these estimates, the reimbursement amount maintained a consistent reimbursement level overall from fiscal years 2010-11 to 2015-16. Except for one year, the reimbursement rate ranged from 81% to 133% during that period. The number of cases in each fiscal year ranged from two to 33, and estimated annual costs ranged from $1,827 to $37,473. Estimated costs and reimbursements for the 5-year period totaled $95,405 and $96,050, respectively.

Although the overall reimbursement level was consistent, the amount paid for partial hospitalization services has been lower than the rate agreed upon between RNPH and the Medical Center in 2001.

In fiscal year 2015-16, the per diem rate paid to reimburse senior capitated partial hospitalizations was $175, instead of $230 as listed in the Medical Center/RNPH internal rate schedule dated September 12, 2001. A rough estimate of the amount that RNPH may have been underpaid during the six-year period ending with fiscal year 2015-16 is $8,000. RNPH management indicated that they are unaware of the origin of the reduced $175 rate.

Recommendation: Although RNPH has been reimbursed for outpatient treatments provided from fiscal years 2010-11 to 2015-16 at an overall level slightly exceeding estimated costs, RNPH management should consult with the UCLA Health Chief Financial Officer to determine if the lower rate was used in error. Upon resolution, RNPH may be entitled to additional reimbursement for outpatient services previously provided to senior capitated patients.

Response: It was recognized that the hospital-based services agreement for all services provided by RNPH to senior capitated patients was far below cost, based on an historical document from 2001. Even still, the reimbursement was below the agreed-upon rate for partial hospitalizations, as noted. However, the volume for partial hospitalizations was very low and, therefore, did not have a significant impact on the overall finances for RNPH. Nevertheless, with the termination of the senior capitated plans, we will investigate whether there is any opportunity to have these payments adjusted to the prior, agreed-upon rate.

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