UNIVERSITY OF CALIFORNIA, RIVERSIDE

AUDIT & ADVISORY SERVICES
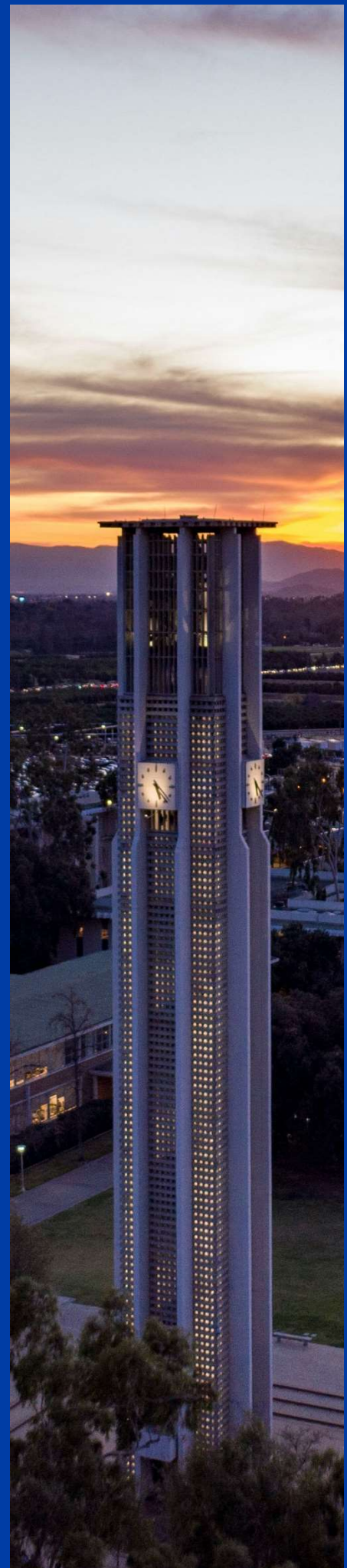
AUDIT REPORT R2024-08

SCHOOL OF MEDICINE REVENUE CYCLE

October 4, 2024

Performed By:
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Approved By:
Gregory Moore, Director

UC RIVERSIDE

October 4, 2024

To: Deborah Deas,
        Vice Chancellor for Health Sciences and Mark and Pam Rubin Dean of the School of Medicine

Re: School of Medicine Revenue Cycle Audit
        Audit No. R2024-08

We have completed the audit of the School of Medicine Revenue Cycle in accordance with the University of California, Riverside Audit Plan. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Our report is attached for your review.

We will perform audit follow-up procedures in the future to review the status of management corrective action plans. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2024-08 will remain open until we have evaluated the actions taken.

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.

We appreciate the cooperation and assistance provided by you and your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Respectfully,

Gregory Moore
Director
Audit & Advisory Services

cc: School of Medicine Chief Financial and Administrative Officer, Maria Aldana
        UCR Health Chief Financial Officer, Timothy Collins
        Ethics & Compliance Risk and Audit Controls Committee

Executive Summary

Purpose and Scope

Audit & Advisory Services completed an audit of the School of Medicine patient billing and revenue cycle. The objective of the audit was to determine whether internal controls related to Epic billing and collections were operating effectively.

The audit scope included revenue cycle processes in effect at the time of fieldwork during February through May 2024, and patient appointments, billing, and patient refunds completed during fiscal year 2022-2023. We also tested patient receivable balances at June 30, 2023 and patient refunds still pending at the time of audit fieldwork.

We evaluated the design and effectiveness of internal controls by discussing controls with employees, by reviewing documentation describing the processes, and by selecting patient visits and reviewing the patient billing process in Epic. We tested billing and collections by reviewing:
- Processing of payments;
- Denials management;
- Patient accounts receivable;
- Patient accounts turned over to collection agencies;
- Write-offs; and,
- Pending and completed refunds.

Results

From our testing, we concluded that internal controls were adequately designed and operating effectively. While we observed that Epic billing and collections processes typically resulted in payments from payers, we identified some areas for improvement:
- Timeliness in processing charges
- Review and approval of patient account balances sent to collection agencies
- Review and approval of write off adjustments
- Timeliness of refunds
- Small balance adjustments

We identified a couple themes in our observations:
1. Timeliness of different revenue cycle processes
2. Monitoring processes completed by UC San Diego (UCSD) revenue cycle employees

Two of the observations related to the timeliness of submitting claims to payers and the timeliness of completing refunds to insurance companies. Overall, we could not determine whether the expectations for the timely processing of claims and refunds was communicated to revenue cycle employees. We recommend that specific and measurable goals (metrics) for the number of days to review charges, submit claims to payers, issue refunds, and other revenue cycle processes be communicated to the revenue cycle team. These expectations should be included in written policies. Employees should understand these expectations and be evaluated based on these goals.

Two of the observations related to issues identified during an internal audit completed in 2021 (R2021-03). Corrective action plans during the 2021 audit which related to reviewing processes completed by the UCSD revenue cycle employees, were not fully implemented. We recommend fully implementing the corrective actions plans begun after the 2021 audit. We also recommend that performance expectations for UCR and UCSD employees be documented in written policies and procedures. Performance metrics should be communicated and agreed upon, and then reports should be set up to monitor whether the metrics are achieved.

The observations, recommendations, and management corrective actions are discussed in more detail in the report below.

We also identified the following potential improvements to internal controls which could improve the effectiveness and efficiency of the revenue cycle operations:
- Improve documentation of processes, internal controls, and expectations (metrics) for employee performance.
- Hold service organizations and employees accountable for their assigned internal control responsibilities.
- Potential changes to the oversight of the revenue cycle.

We issued a separate advisory service report (R2024-08a) which further discusses the potential internal control improvements.

Background

The mission of the UC Riverside School of Medicine (SOM) is "to improve the health of the people of California, and, especially, to serve Inland Southern California by training a diverse workforce of physicians and by developing innovative research and health care delivery programs that will improve the health of the medically underserved in the region and become models to be emulated throughout the state and nation."

During Fiscal Year 2022-2023[1], the SOM enrolled 341 medical students and 48 biomedical sciences graduate students. Graduate Medical Education programs, some in partnership with area hospitals, enrolled 127 residents and fellows. In accordance with its mission, the School continues to build upon a record of enrolling a diverse student body and employing a diverse staff with strategic efforts to improve diversity among faculty, senior administrative staff and leadership.

The following table shows the increasing number of faculty and staff in the SOM:

Overview of Faculty and Staff[2]

	Fiscal Year (FY) 2021	FY 2022	FY 2023
Clinical Faculty	334	335	385
Community-Based Faculty	1,263	1,318	1,419
Biomedical Sciences Faculty	21	21	26
SOM Staff	247	439	486

Overview of the Revenue Cycle

The business objective of the revenue cycle is to maximize revenue received for patient services (without negatively impacting patient care). The process begins when a patient schedules an appointment and ends when the account balance is resolved through reconciliation of insurance payments, contractual adjustments, write offs, or patient payments. Effective and efficient revenue cycle processes are critical to the continued growth of the School of Medicine and UCR Health. The following table shows the growth in the number of patient visits to clinics during recent years:

Patient Visits and Clinical Revenues[3]

	FY 2021	FY 2022	FY 2023
Number of Patient visits	42,718	41,500	46,016
Clinical – Patient Billing	$14.3 M	$17.3 M	$18.0 M
Clinical – PSA	$7.3 M	$7.8 M	$8.6 M

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[1] This information is from statistics included in the School of Medicine Annual Report for fiscal year 2022-2023.
[2] Data is from the FY 2021, FY 2022, and FY 2023 School of Medicine Annual Reports.
[3] Number of patient visits was reported in the School of Medicine Annual Reports for fiscal years 2021, 2022, and 2023. The revenue information is from the UCR financial systems (UCRFS Totals). Professional Service Agreement (PSA) revenues are for presentation purposes only and are not included within the scope of this audit.

The revenue cycle can be described in three separate phases:

1. The front-end revenue cycle includes processes and controls related to scheduling patient appointments, verifying the patient's insurance coverage and eligibility, registration, and check-in at the time of the appointment, and collecting patient financial responsibility such as co-pays.
2. The middle revenue cycle includes charge entry in Epic by providers, review of coding and charges, and applying accurate fees to the charges in Epic.
3. The back-end revenue cycle includes claims billing, payment posting, denials management, and managing accounts receivable.

UCR has contracted with UCSD to use the medical records and patient billing system, Epic. UCR and UCSD revenue cycle employees work together to manage UCR Health's patient billing. Four UCSD patient billing employees are involved in the UCR's back-end revenue cycle. An agreement between UCR and UCSD explains the breakdown of roles and responsibilities.

"UCR shall have responsibility for and to ensure that the following activities are completed in a timely fashion, and that all records in Epic are accurate:
- Patient Registration & Demographics collection (including insurance);
- Patient Scheduling;
- Patient Check In;
- Collecting Point of Service Payments (including attempts on open balances for prior services);
- Coding, Charge Capture, & Charge Entry;
- Securing required Referrals, Authorizations, or Pre-Certifications;
- Scanning required records (insurance cards, driver's license, medical records, waivers, etc.);
- Working/Resolving assigned pre-claim edits;
- Working/Resolving assigned follow-up Denials;
- Ongoing staff training to ensure clean registration, scheduling, check-in, coding, & charge capture/entry activities;
- Managing providers and vendors for the timely completion of records and charge submission; and,
- Provider credentialing & Payer Enrollment Activities (New/Existing Providers).

UCSD shall be responsible for the following:
- Accounts Receivable Management;
- Day 1 Epic AR Follow up;
- Claims Submission and Processing of all UCR Statements;
- Assigned Claim Edits;
- Posting all payments, including self-pay collections post visits to accounts for UCR claims;
- Credit balance resolution;
- AR Follow-Up and Denials Management;
- Customer Service related to billing and collection activities;

- Bad Debt Placements;
- AR Management Reporting, Tools and Metrics; and,
- Processing of Credit Card Payments…"

Oversight and governance of the revenue cycle is provided by members of the General Finance Committee, which is made up senior managers from the School of Medicine and UCR Health. The Compliance committee also provides oversight as the committee reviews revenue cycle issues, including issues identified by the SOM Coding and Documentation auditor.

During a previous internal audit by UCR Audit & Advisory Services (R2021-03 report dated December 1, 2021), there were observations related to the management of accounts receivable and denials. Management corrective action plans were set up to provide UCR better monitoring and review of some back-end revenue cycle processes completed by UCSD, which included: reviewing UCR patient balances before balances are transferred to collection agencies, generating monthly accounts receivable aging reports to be reviewed by the General Finance committee, and UCR review and approval of any write-off greater than $1,000.

Observations and Management Corrective Actions

A summary of the audit testing is provided in the Appendix. During the testing, we identified areas for improvement in the following areas:
- Timeliness in processing charges
- Review and approval of account balances sent to collection agencies
- Review and approval of write off adjustments
- Timeliness of refunds
- Small balance adjustments

Observation #1 – Timeliness in processing charges

Condition: During the audit we selected and reviewed 100 patient visits in Epic. We reviewed the timeliness of providers recording charges, coder review of charges, and the submission of claims to payers. For 12 (13%) of the 91 patient visits which resulted in submitted claims, charges were not reviewed and posted within 30 days.

Criteria: The School of Medicine policy for Medical Record Documentation and Completion (950-03-020) states: "It is the policy of UCR Health that medical records are maintained for every person treated and the medical record will be completed within 48 hours of when the care is provided." Providers are required to record charges for review within 48 hours of the patient encounter. The policy also requires that faculty members providing clinical services at Affiliate sites are responsible for ensuring that specific patient visit information "be submitted to Revenue Cycle at least monthly."

As we did not identify criteria which specifically communicated expectations for how quickly charges should reviewed, posted, and submitted to payers, we used a 30-day timeframe in reviewing the timeliness as the School of Medicine policy requires monthly submission.

Cause: Based on the review of information in Epic, it appears that delays were caused by the untimely submission of charges by providers. The untimely submission caused further delays in the review of the charges by coders and the submission of the claims to the payers.

Effect: Delays in reviewing charges and submitting claims to payers can increase write-offs and adjustments due to untimely billing of patient services.

Recommendation: We recommend that additional steps be considered to encourage providers to comply with the 48-hour requirement for closing out patient encounters in Epic. We also recommend that specific and measurable goals (metrics) for the number of days to review charges and submit claims to payers be communicated to the revenue cycle team. These expectations should be included in written policies. Employees should understand the expectations and should be evaluated based on these goals.

Management Action Plan: As the primary issue relates to physician encounter closure, steps have been taken to incentivize Physicians to close encounters in Epic within 48 hours. Specifically, the SOM shared that effective Fall 2023, under the direction of the Dean, the School strengthened the controls for providers to review their encounters in a timely manner, and requested escalations if a provider was non-responsive. The school developed a process workflow, now tracks the in-baskets in a published PowerBI report that is accessible, by the clinic staff as well as providers' home department personnel, including provider themselves, Chair and FAO. In addition, the SOM communicated that the Health Sciences Comp plan (HSCP) Good Standing criteria was updated to include the clearing of open encounters for all departments, all are now consistent effective 7/1/24. Lastly, the SOM also communicated that also effective FY25, two more departments (Family Medicine and Psychiatry and Neurosciences), in addition to OBYGN, added the TSN Good Standing withholding criteria for 5 and 10%, respectively. This means that if providers are not meeting all Good Standing criteria monthly, including addressing open encounters, they lose the monthly withholding amount and they do not get a chance to earn it back.

Expected Implementation Date: Implemented.

Observation #2 – Review and Approval of Account Balances Sent to Collection Agencies

Condition: During the previous audit of the School of Medicine (R2021-03), management put together a corrective action for an observation related to reviewing and approving patient receivable balances before they are turned over to collections by UCSD.

During the audit, we did not identify UCR's review and approval for a sample of 30 patient accounts sent to collections by UCSD. It appears this process was not fully implemented as UCSD sent UCR accounts to collections before obtaining UCR management's approval.

Criteria: The management corrective action plan from audit report R2021-03 Audit of School of Medicine Operations dated December 1, 2021, states:

"Additionally, our revenue cycle is partially being managed through our agreement with UCSD and they, on our behalf, manage all of the account balances that get transferred to the collection agency. In November 2020, we met with UCSD to gain clarity on specific services, and this was one of them. We requested a need for a process to have the opportunity to receive the file that is sent to the collection agency, for our review and approval, prior to sending to collection agency. UCSD agreed to help develop guidelines and parameters that would clearly indicate what data sets would be sent for to the agency."

Cause: UCR management has not fully implemented the process to review and approve account balances sent to collections by UCSD.

Effect: Loss in collection of payments for services rendered can negatively impact the profitability of the clinics.

Recommendation: We recommend SOM management fully implement the process to review and approve account balances before they are sent to collection agencies by UCSD.

Management Action Plan: SOM management will develop and implement a formal policy with documented processes and procedures to review and approve account balances before they are sent to collections by UCSD.

Since the 2021 Audit Report, the SOM established a process where Patient Billing AR reports are published in TEAMS monthly by department. We have had months where the FAO was either late in the review or did not add comments. To ensure this review is sustained consistently and continuously, the SOM will document the process in a formal procedure and workflow that depicts the step-by-step monthly AR review process. As a control, the SOM will also have the UCR Health Director provide quarterly updates to the General Finance Committee (GFC), to formalize the review process.

Expected Implementation Date: Implemented.

Observation #3 – Review and Approval of Write-Off Adjustments

Condition: During the previous audit of the School of Medicine (R2021-03), management put together a corrective action for an observation related to reviewing and approving write-offs with account values over $1,000.

During our testing of 30 sampled write-off adjustments, we identified 13 adjustments over $1,000 that were not reviewed and approved by UCR management from our review of the History tab within the Epic system. It appears this process was not fully implemented as UCSD processed these adjustments over $1,000 before obtaining UCR management's approval.

Criteria: The management corrective action plan from audit report R2021-03 Audit of School of Medicine Operations dated December 1, 2021, states:

"Write-off methodology was successfully implemented on June 1 whereby UCSD is only authorized to write-off appropriate accounts less than $1,000. Any account value of $1,000 or greater, requires review and approval by the UCR Manager of Billing and Collections."

Cause: UCR management has not fully implemented the process to review and approve adjustments over $1,000 processed by UCSD.

Effect: Inappropriate write-off of accounts can negatively impact the profitability of the clinics.

Recommendation: We recommend SOM management implement a process and monitor proper review and approval of write-off adjustments over $1,000 processed by UCSD.

Management Action Plan: SOM management will develop, implement, and enforce a formal policy with documented processes and procedures to review and approve write-off adjustments over $1,000 processed by UCSD.

Expected Implementation Date: Implemented.

Observation #4 – Timeliness of Refunds

Condition: During our testing of 10 sampled completed refunds, we noted multiple refunds were not completed timely as summarized in the table below:

Completed	< 60 days*	61-365 days*	1-2 years*	> 2 years*	Total
# of Refunds	5	2	0	3	10
% of Total Tested	50%	20%	0%	30%	100%
*Days/years calculated by comparing the date requested and the date approved within the Epic system (refunds to government payers are completed within 60 calendar days of identification).					

At that time of the audit fieldwork, we noted a long backlog of pending refunds amounting to $292,628 with $291,418 pertaining to insurance companies and $1,210 to self-pay patients. We selected a sample of 30 pending refunds to identify the number of days outstanding as summarized in the table below:

Pending	< 60 days*	61-365 days*	1-2 years*	> 2 years*	Total
# of Refunds	2	11	6	11	30
% of Total Tested	7%	36.5%	20%	36.5%	100%
*Days/years calculated by comparing the date requested and the date of our audit fieldwork (refunds to government payers are completed within 60 calendar days of identification).					

Three of the 30 pending refunds tested were to self-pay patients and the other 27 refunds were to insurance companies.

Criteria: Per review of the UCR Refund Process policy 950-05-008, we noted no documented time metrics and procedures to process and issue refunds to private payers (i.e., insurance companies) in a timely manner. Although we noted documented procedures for the timely processing and issuance of refunds to government payers within 60 days, we noted no such procedures for refunds to insurance companies and self-pay patients.

Cause: Processing refunds appears to be a time-consuming process, so revenue cycle employees prioritize refunds to government payers. As these same employees are responsible for handling current claims, refunds to insurance companies are a low priority.

Effect: Delays in processing and issuing refunds can result in fines and penalties from insurance companies.

Recommendation: We recommend SOM management implement a process to issue refunds to insurance companies in a timely manner including time metrics and the necessary resources to address the backlog of pending refunds in the Epic work queue.

Management Action Plan: SOM management understands that we have a backlog dating back to the prior fiscal year June 2023 (Pre-oracle). Post Oracle, we have been working with Accounting to set up a new process that entails our own checking account exclusive for patient refunds, the set-up is still underway and has taken almost a year to set up. Under the request of the Campus Controller, we are developing a document that outlines the internal controls over the administration of UCR Health patient refunds, including all controls across the related EPIC system, BNY Mellon refunds account, and the UCR SOM General Ledger. Specifically, this document will outline the Roles and Responsibilities, Segregation of Duties, Delegation of Authority, and Reconciliation and Reporting, all which will be instituted and sustained to safeguard, maintain, and report the assets.

Additionally, we also set up a plan to get caught up on the backlog of refunds through a proposed completion timeline. Also, going forward, we are establishing a baseline/standard where all refunds must be processed within 60 days. Metrics will be presented to General Finance on a quarterly basis.

Expected Implementation Date: Final policy draft of the new process has been completed. Refunds backlog timeline is to complete them by December 31, 2024, and sustain timely processing going forward.

Observation #5 – Small Balance Adjustments

Condition: During our testing of 30 sampled write-off adjustments, we identified seven adjustments over $25 that were improperly classified and written-off as small balance adjustments, with some of the noted balances being over $1,000. Per review of the UCR Small Balance Adjustments policy 950-05-003, the small balance adjustment is to write-off balances where the cost to bill is more than the value of the balance.

Criteria: The UCR Small Balance Adjustments policy 950-05-003 states:

"A. Guarantor balances that are equal to or less than $10, which will cost more to bill than the value of the balance, are automatically adjusted by UCR Health billing vendor.

B. UCR Health billing vendor will send three (3) statements for a single guarantor balance that is greater than $10 and equal to or less than $25. If unpaid within 90 calendar days of the date of the first statement, UCR Health billing vendor must review any subsequent or additional guarantor invoices for the purpose of consolidating outstanding balances."

Cause: The adjustments were erroneously written-off to the incorrect adjustment code.

Effect: Inaccurate classification of adjustments can impact the accuracy of the data recorded in Epic.

Recommendation: We recommend SOM management revisit the small balance adjustment policy and implement a process to ensure the accuracy of adjustment codes used during the write-off process.

Management Action Plan: SOM management will review and update the existing small balance adjustment policy as needed, add more specificity on what approval of small balances entails as well as what is considered an exception, and review with UCSD to ensure common interpretation of policy and processes.

Expected Implementation Date: October 31, 2024.

Appendix - Objective, Scope, and Methodology

Audit Objective - The purpose of the audit was to determine whether internal controls related to Epic billing and collections were operating effectively.

Audit Criteria

During the audit planning, we identified the following criteria which was significant to the audit:
- Written School of Medicine (SOM) policies related to some aspects of the revenue cycle
- Agreed-upon management corrective actions after the 2021 audit (R2021-03), which related to managing patient accounts receivable, denials management, and reviewing patient balances sent to collections.
- UC Policy BUS-49 *Policy for Cash and Cash Equivalents Received*
- Agreements between UC Riverside (UCR) and UC San Diego (UCSD) related to Epic hosting and payment for UCSD's services provided for patient billing and patient accounts receivable.
- Committee of Sponsoring Organization (COSO) Internal Control – Integrated Framework Principles

Audit Testing Completed

The audit scope included current revenue cycle processes in effect at the time of audit fieldwork during February through May 2024, and patient appointments, billing, and patient refunds completed during Fiscal Year 2023. We also tested patient receivable balances at June 30, 2023 and patient refunds still pending at the time of the audit fieldwork.

To fulfill the audit objective, we completed the following testing:
- Interviewed employees to gain an understanding of the revenue cycle processes and internal controls.
- Compared the internal controls designed in the SOM's revenue cycle with the 17 Internal Control principles outlined by COSO's Internal Control - Integrated Framework.
- Selected 100 patient visits during Fiscal Year 2023 and reviewed various steps of the patient billing process in Epic for timeliness and accuracy.
- Reviewed back-end revenue processes by selecting samples and testing in the following areas:
  - Processing of payments
  - Denials management
  - Patient accounts receivable
  - Accounts turned over to collection agencies
  - Write-offs
  - Pending and completed refunds

Evaluation of Internal Controls

Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and related risks can be broadly classified into one of more of the following three categories:
- Operations – Effectiveness and efficiency of operations
- Reporting – Reliability of reporting for internal and external use
- Compliance – Compliance with applicable laws and regulations

We obtained an understanding of the five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) relevant to UC Riverside Health's revenue cycle. We also considered the 17 internal control principles from the Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework to evaluate the design and effectiveness of the revenue cycle internal controls.

From our discussions with employees and review of processes and transactions, we gained an understanding of the current revenue cycle internal control system. While we concluded that the School of Medicine has designed adequate internal controls, we identified some areas for improvement.

A separate advisory service report (R2024-08a) was issued to SOM management which evaluates the School of Medicine's internal controls over the revenue cycle. The observations and recommendations in this separate report explain the following three areas which could improve the effectiveness and efficiency of the revenue cycle operations:

1. Improve documentation of processes, internal controls, and expectations (metrics) for employee performance.
2. Hold service organizations and employees accountable for their assigned internal control responsibilities.
3. Potential changes to the oversight of the revenue cycle.

Management's response to the recommendations is included in the advisory service report. Formal management corrective actions were not required.