

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

**Charge Description Master
Audit & Management Advisory Services Project #17-05**

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Fieldwork Performed by:

Janet Cox, Senior Auditor

Reviewed by:

Leslyn Kraus, Associate Director

Approved by:

Jeremiah J. Maher, Director

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MANAGEMENT SUMMARY

Background

The Charge Description Master (CDM) is a comprehensive listing of items that can be billed to a patient or insurer, and is one of the primary components of the revenue cycle. A complete and accurate CDM is critical to ensuring compliant billing, and the correct capture and categorization of revenue. The CDM is comprised of Epic All Procedure (EAP) codes which are associated with data elements such as revenue codes, charge codes, charge descriptions, Current Procedure Terminology/Healthcare Common Procedure Coding System (CPT/HCPCS) codes and modifiers, and the charge amounts.

Beginning in 2009, UC Davis Medical Center (UCDMC) contracted with Prospective Payment Specialists (PPS) to perform a monthly review of the active charge codes within the CDM. Each month, after a manual review, PPS provides feedback and recommendations based on a comparison against current year Centers for Medicare & Medicaid Services (CMS) Addendum B and the Medi-Cal Fee Schedules. PPS identifies items priced lower than Medicare reimbursement rates, CPT/HCPCS codes that have been inactivated by CMS, inconsistent revenue codes and descriptions that could benefit from updating.

To further improve CDM oversight, UCDMC also contracted with nThrive¹ in 2014, implementing CDM Master Software for the electronic management of the CDM. This system enables changes/additions/deletions to the CDM to be submitted electronically and provides the ability to track the status of the requested update, who initiated the request, and the approval history, including approval at the monthly Rate Review Committee. nThrive also performs a monthly review of the CDM through an automated process of comparing the UCDMC CDM active codes with volume to the nThrive Best Practice CDM and Master Item File.

Purpose and Scope

As part of the fiscal year 2016-2017 audit plan, Audit and Management Advisory Services (AMAS) conducted a review of UCDMC's CDM. The purpose of the review was to assess the processes and controls over updates and maintenance of the CDM. The audit scope included the separate CDM files shared with PPS and nThrive for March 2016 through November 2016, and communications with departments and their designated CDM managers.

To complete our review we examined existing policies and procedures related to CDM oversight, obtained copies of the purchasing agreements with PPS and nThrive, and performed a review of the feedback provided by PPS and nThrive along with the timeliness of implementation of any suggested updates. AMAS also performed a comparison of the CDM files sent to the two different consultants for variances in the data reviewed.

¹ Formerly MedAssets Nets Revenue Systems. Name was changed effective 1/1/2017.

Conclusion

Overall, the CDM appears to be well managed, with CDM update requests being automated and tracked through the nThrive CDM Master Software application.

Opportunities were identified to improve CDM oversight at the department level. Although Hospital Policies and Procedure (HPP) 1809, *Updating the Charge Description Master*, requires that department CDM managers annually review the CDM and participate in training, there is limited oversight to ensure that all units have performed a complete review and/or that the managers have participated in the required training. Additionally, results of the monthly reviews performed by the consultants are not consistently shared with the units, and are not always addressed timely by the CDM managers when received. Furthermore, there is not a process to ensure the monthly Cost Center Error report distributed by Patient Financial Services (PFS), which identifies the use of EAP codes by unassociated cost centers, is addressed timely.

I. OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**A. Annual Departmental Review of CDM****1. Confirmation of the annual CDM review by departments is not obtained.**

HPP 1809 specifies that departments shall review their CDM at least annually. Although feedback from PPS is distributed throughout the year to the CDM managers, it is during the fall of each year that the full CDM is distributed to the CDM managers for review. It has been the practice of PFS to accept the changes submitted by the CDM managers as validation that a review has occurred but PFS does not confirm that changes are submitted from all areas or that all PPS recommendations have been properly addressed. Failure to seek confirmation from each unit that all updates have been submitted or that no revisions are necessary could impact the ability to timely bill for and receive appropriate reimbursement for services provided.

Recommendation

PFS should obtain confirmation that a complete annual review has been performed for each unit.

Management Corrective Action

By August 15, 2017, PFS will develop a method to track confirmation from each department that a complete annual review of their CDM has been performed.

2. The elements of the departmental annual review of the CDM are not defined.

PFS distributes information received from the PPS consultants on a monthly basis to facilitate unit review of the CDM. The PPS consultants provide feedback on the status of each EAP code, including if the associated CPT/HCPCS code or the description continues to be valid with CMS. In a review of the PPS report based on the October 2016 CDM, AMAS observed that PPS feedback was not always timely addressed by the CDM managers nor was the data shared with the CDM managers by PFS consistent. Additionally, AMAS observed that monthly Cost Center Error reports distributed by PFS had minimal action taken by some units.

- On the PPS report for the October 2016 CDM there were 704 codes which were identified prior to January 2016 by PPS as invalid or requiring updates to the descriptions. For 11 of these codes, the CDM managers agreed to initiate the change in the description or deactivate the code, but six of those had not yet followed-through as of October 2016. For the remaining 693 codes, CDM managers provided feedback as of January 2016 that the codes were still in use and should not be deactivated. However, 570 had no volume recorded through October 2016. It is currently not the practice of PFS to specifically follow-up on each item identified by PPS.

- The PPS files that are sent monthly to each CDM manager are inconsistent, with some files including all consultant comments and codes without activity, while other files include only the consultant comments for review. PFS has agreed that the monthly comments and the EAP codes without activity should be reviewed by all CDM managers, but because including all items for some units would cause the review file to be lengthy, PFS identifies and distributes only the more critical items. If it is expected that some units review both the consultant feedback and the codes without activity the same expectation should be applied to all units.
- Each line item of the CDM is assigned an EAP code that can be associated with multiple departments of UCDHS. It is an industry standard that each unit which utilizes a specific EAP code create an association between the EAP code and the cost center, though lack of an association will not prevent a charge from being processed. PFS distributes a monthly Cost Center Error report that identifies EAP codes that have been used that are not approved for the given cost center, but a comparison of the code usage for the first quarter of FY 2017 to the CDM identified 3,258 EAP and cost center combinations that were not represented on the CDM. EAP codes that are not approved for a given cost center could be an indication that the user is logged into the wrong department or the code is not valid for the department to bill. Additionally, because the nThrive review includes only EAP codes with an approved cost center association, these codes would be excluded from their review

Though it is stated in HPP 1809 that an annual review of the CDM is required, it is not stated what elements are to be considered as part of that review. Specifying that the above items must be addressed as part of an annual review could reduce the risk of including potentially invalid codes in the CDM. Inclusion of invalid codes in the CDM could result in incorrect billing that increases the risk of avoidable denials and causes unnecessary re-work.

Recommendations

- a. PFS should prepare and publish guidance on the expected elements of the annual CDM review so that invalid codes, zero volume codes, and the associations between EAP codes and cost centers are reviewed and addressed at least annually.
- b. When distributing the monthly consultant feedback all review items will be included to each CDM unit manager.

Management Corrective Actions

1. By August 15, 2017, PFS will submit changes to HPP 1809 outlining the elements to be included in annual CDM review.
2. By May 15, 2017, PFS will begin including all review items to each CDM unit manager.

B. Annual CDM Training

Confirmation that all required individuals have completed the annual CDM training is not obtained.

Per HPP 1809, all CDM unit managers must participate in annual training. For the most recent training conducted in May 2016, of the 10 individuals designated as CDM unit managers, 4 attended the training, 3 were excused from attending and the remaining 3 did not participate nor were they excused. Detailed training materials were distributed to all CDM managers in conjunction with the CDM training, however, for those not in attendance, no confirmation was obtained that the training materials had been reviewed or understood.

Recommendation

- a. PFS should obtain annual confirmation that all persons designated as CDM Managers have attended the training or have read and understand the training materials.

Management Corrective Action

1. By September 15, 2017, PFS will develop a method to confirm all CDM Unit Managers have participated in annual training, as required by policy.