

July 13, 2012

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Medication Billing Compliance Steering Committee  
0657

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**Subject:***UC San Diego Health System  
Medication Billing Compliance Steering Committee  
Audit & Management Advisory Services Project 2012-11*

The final audit report for UCSDHS Medication Billing Compliance Steering Committee; Project 2012-11 is attached. Audit & Management Advisory Services appreciated the opportunity to support this important project. Please distribute this report to other members of the Steering Committee as you feel is appropriate.

UC wide policy requires that all draft audit reports, both printed and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to AMAS personnel, or destroy them. AMAS also requests that draft reports not be photocopied or otherwise redistributed.

Terri Buchanan  
Interim Assistant Vice Chancellor  
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Attachment

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**AUDIT & MANAGEMENT ADVISORY SERVICES**



University of California  
**San Diego**

UC San Diego Health System  
Medication Billing Compliance  
Steering Committee

**July 2012**

**Performed By:**

Aparna Handa, Auditor  
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**Approved By:**

Terri Buchanan, Interim Assistant Vice Chancellor

Project Number: 2012-11

*UCSDHS Medication Billing Compliance Steering Committee  
Audit & Management Advisory Services Project 2012-11*

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***UCSDHS Medication Billing Compliance Steering Committee  
Audit & Management Advisory Services Project 2012-11***

**I. Background**

Audit & Management Advisory Services (AMAS) participated on the Pharmacy Medication Billing Compliance Steering Committee as part of the approved audit plan for Fiscal Year 2011-12. This report provides an overview of the Committee and its achievements during this Fiscal Year.

The Center for Medicare and Medicaid Services (CMS) implemented the Recovery Audit Contractor (RAC) Program as mandated by the Tax Relief and Health Care Act of 2006, Section 302.<sup>1</sup> The stated Program mission is: *To detect and correct past improper payments so that CMS, insurance carriers, fiscal intermediaries and Medicare Audit Contractors (MACs) can implement actions that prevent future improper payments; providers can avoid submitting claims that do not comply with Medicare rules, and CMS can lower its overall payment error rate.*

Several specific issues related to pharmacy charge capture and billing processes have been identified as areas of RAC Program audit focus, including excessive medication units billed for chemotherapy and non-chemotherapy infusion services, and intravenous hydration. UCSD medication charge capture is complex due to a reliance on different information systems and processes, which are dependent upon the accuracy of clinical documentation for medication ordered, dispensed, and administered, and the accuracy of a variety of product billing codes. Medication charge capture errors can occur within pharmacy processes and electronic systems, or can result from incorrect data entry, and/or the selection of inappropriate HCPCS codes; or the recording of inaccurate dosage units during manual charge capture processes in patient care areas.

To gain an understanding of the scope and direction of RAC projects, UC San Diego Health System (UCSDHS) Clinical Pharmacy (Pharmacy) management contacted colleagues, and attended a presentation by the University of Utah<sup>2</sup> in September 2010 to determine how these issues were being addressed by other institutions with similar operations. With input from those sources, the following guiding principles for achieving medication billing compliance at UCSDHS were adopted:

- Create a proactive program for detecting and remediating medication billing errors
- Coordinate with other departments and resources
- Develop internal expertise
- Identify risk points and address them during Pharmacy internal audits
- Improve medication database integrity
- Address problems systematically

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<sup>1</sup> Section 302 requires that a permanent, national RAC Program be implemented no later than January 1, 2010; and allows CMS to pay RAC Program contractors on a contingency fee basis.

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As one of the first steps to addressing medication billing risks, Pharmacy management convened the Medication Billing Compliance Steering Committee (Steering Committee) in July 2011. The charge to the Committee was to *evaluate and improve medication billing activities across the organization to ensure compliance with local, state and federal regulations*. Pharmacy management invited the following stakeholders to participate in Steering Committee activities:

- Charles Daniels; Pharmacist-in-Chief (Co-Chair)
- Joanna, Lamott; Assistant Director, Clinical Pharmacy (Co-Chair)
- Margarita Baggett; Interim Chief Operations Officer and Chief Nursing Officer
- Kevie Naughton; Health Science Chief Compliance and Privacy Officer
- Betsy Grossman, Director of Revenue Cycle Administration
- Dr. Josh Lee; Director of Clinical Information Systems
- Martha Hopkins; Director of Health Information Services
- Suzanne Forrest; Health Sciences Professional Fee Billing Compliance Manager
- Katherine Brewster; Director of Ambulatory Care Operations
- Terri Buchanan; Audit & Management Advisory Services Manager

During its initial meeting, the Steering Committee identified and prioritized the following patient care areas for focused review:

<b><i>Priority</i></b>	<b><i>Patient Service Areas</i></b>
First	<ol style="list-style-type: none"> <li>1. Ambulatory Clinics (physician administered medications and vaccines)</li> <li>2. Infusion Centers</li> <li>3. Hospital Inpatient Services</li> <li>4. Emergency Rooms<sup>3</sup></li> </ol>
Second	<ol style="list-style-type: none"> <li>1. Procedures (i.e. Moores Cancer Center and Pain Clinic)</li> <li>2. Pharmacy Home Infusion Service</li> <li>3. Retail Pharmacies</li> <li>4. Affiliated Clinics (i.e. San Diego Cancer Center)</li> <li>5. Research</li> </ol>
Third	<ol style="list-style-type: none"> <li>1. Ambulatory Dialysis</li> <li>2. Hemophilia Treatment Center</li> <li>3. Imaging Services</li> <li>4. Pharmacy eRecovery Program</li> <li>5. UCSD Student-Run Free Clinic Program</li> </ol>

## **II. Audit Objectives, Scope, and Procedures**

The objectives of our participation on the Steering Committee were to provide internal control expertise during Committee discussions; and assist with the creation of

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<sup>3</sup> The Emergency Rooms implemented Epic on June 4, 2012. As of that date, the Emergency Room medication billing process was similar to the process in the Hospital Inpatient Service areas.

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medication billing process flowcharts. The scope of the project included charge capture and billing processes in place during Fiscal Year 2011-12.

AMAS completed the following activities to achieve the project objective:

- Reviewed the Tax Relief and Health Care Act of 2006, Section 302 requirements;
- Attended Steering Committee meetings held in August, October and November 2011;
- Attended billing process discussions with Pharmacy personnel to document the process steps for billing medications in the following patient care areas: Infusion Centers, Emergency Room, Hospital Inpatient Floors, and Ambulatory Clinics;
- Prepared draft process flowcharts for the those areas included above that identified process strengths and weaknesses for further evaluation by the Steering Committee (*Attachment A*); and,
- Reviewed the results of a Pharmacy billing review completed by the Health Sciences Compliance Office in January 2012.

### III. Conclusion

The Medication Billing Compliance Steering Committee achieved its initial goals during Fiscal Year 2011-12. The following table provides an overview of the project tasks and status:

<i>Month/Year</i>	<i>Project Task</i>	<i>Status</i>
August 2011	<ul style="list-style-type: none"> <li>• Prioritize patient service areas for focused review based on perceived risk</li> </ul>	Completed August 1, 2011
September 2011	<ul style="list-style-type: none"> <li>• Develop draft flowcharts at Pharmacy Work Group meetings</li> </ul>	Completed October 31, 2011
October 2011	<ul style="list-style-type: none"> <li>• Review and revise medication billing process flowcharts</li> </ul>	Completed November 9, 2011
October – November 2011	<ul style="list-style-type: none"> <li>• Form a Medication Billing Audit Work Group to identify the audit scope;</li> <li>• Finalize medication billing process flowcharts</li> <li>• Assign accountability for remediating Ambulatory Care process weaknesses identified in the flowcharts</li> </ul>	Completed November 21, 2011
January 2012	<ul style="list-style-type: none"> <li>• Complete a medication billing audit for a sample of Ambulatory Care claims;</li> <li>• Prepare an update of Work Group activities for the Steering Committee</li> </ul>	Completed January 20, 2012
April 2012	<ul style="list-style-type: none"> <li>• Forward the Ambulatory Care medication billing audit findings to the Steering Committee</li> </ul>	Completed April 24, 2012
July 2012	<ul style="list-style-type: none"> <li>• Complete medication billing audits for Hospital Inpatient Services, Infusion Centers and Emergency Rooms</li> </ul>	Pending completion

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Accountability for strengthening weak process controls identified in the Ambulatory Care medication billing process flowchart was discussed and approved by the Steering Committee on November 21, 2011. The process controls weaknesses identified for Hospital Inpatient Services, Infusion Centers and Emergency Rooms will be discussed at the Steering Committee meeting planned for summer 2012.

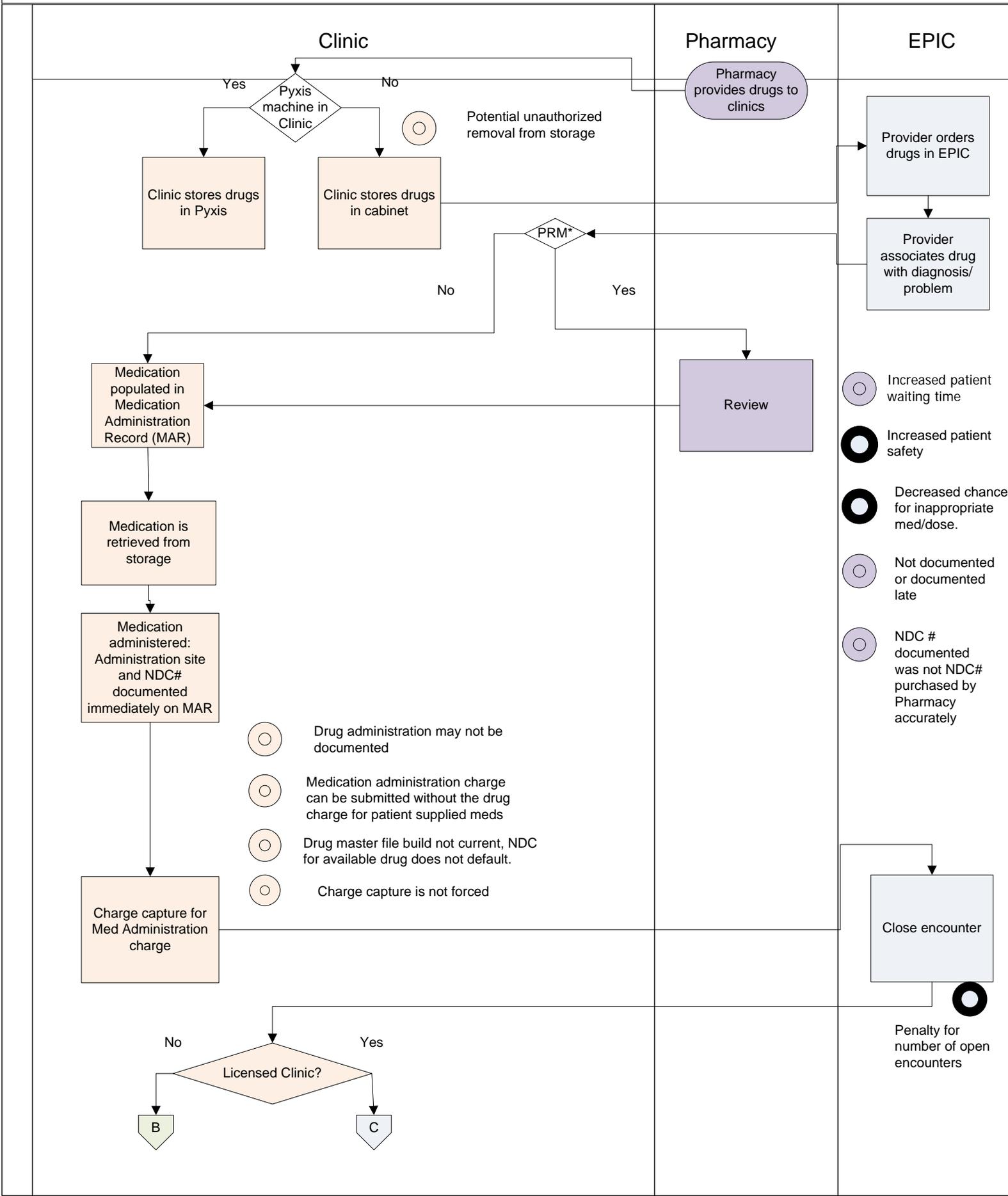
The Ambulatory Care audit findings did not identify inaccurate or erroneous medication charges. However, 10 of 21 claims in the audit sample had missing medication charges. The primary reason that charges were not submitted was that the facility administered medication workflow was not followed. Pharmacy and Ambulatory Care managements will be communicating that finding to clinic managers and providing additional training to clinic staff responsible for submitting medication charges as needed.

Similar claim audits of medications provided in Hospital Inpatient Services, Infusion Centers, and Emergency Rooms<sup>4</sup> are scheduled to be completed in Fiscal Year 2012-13. After those audit results are analyzed, the Steering Committee will determine the process for evaluating the additional patient care areas that were designed as priority two or three. AMAS will continue to support the Steering Committee until all planned activities are completed.

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<sup>4</sup> Because the Emergency Room billing process changed when Epic was implemented on June 4, 2012, the audit of that area may be delayed to include Fiscal Year 2012-13 charge transactions to test the new process.

# Ambulatory Care Medication Billing Process Facility Administered Medications



Licensed

Unlicensed



Separation of duties



The medication administration charge could be deleted if (1) the physician is from an unlicensed clinic but administered a drug in a licensed clinic or (2) if the patient supplied the drug and the administration is not documented



Management is not able to view medication charges in billing queues



Drug prices are hard coded in the charge dictionary and charge increases may be missed



Drug prices are hardcoded prices in the Charge Description Master (CDM) at 1.5X AWP. Cost increases may not be reflected in the charge



New drugs may not have a code assigned in the CDM, so the drug charge would not be included on the claim



National Drug Code (NDC)# on claim may not be the same as the NDC# on the prescription

C

Coders enter CPT & Diagnosis codes in GE/IDX (TES)

Charge conflicts are resolved by Medical Group staff

GE-IDX Billings and Receivables (BAR)

Med Center IS performs CDM lookup (verifies CC, CPT, HCPC)

FMS (patient account updated)

Claim form with NDC#

EPREMIS

B

Coders enter CPT & Diagnosis codes in GE/IDX (TES)

Charge conflicts are resolved by Medical Group staff

GE-IDX Billings and Receivables (BAR)

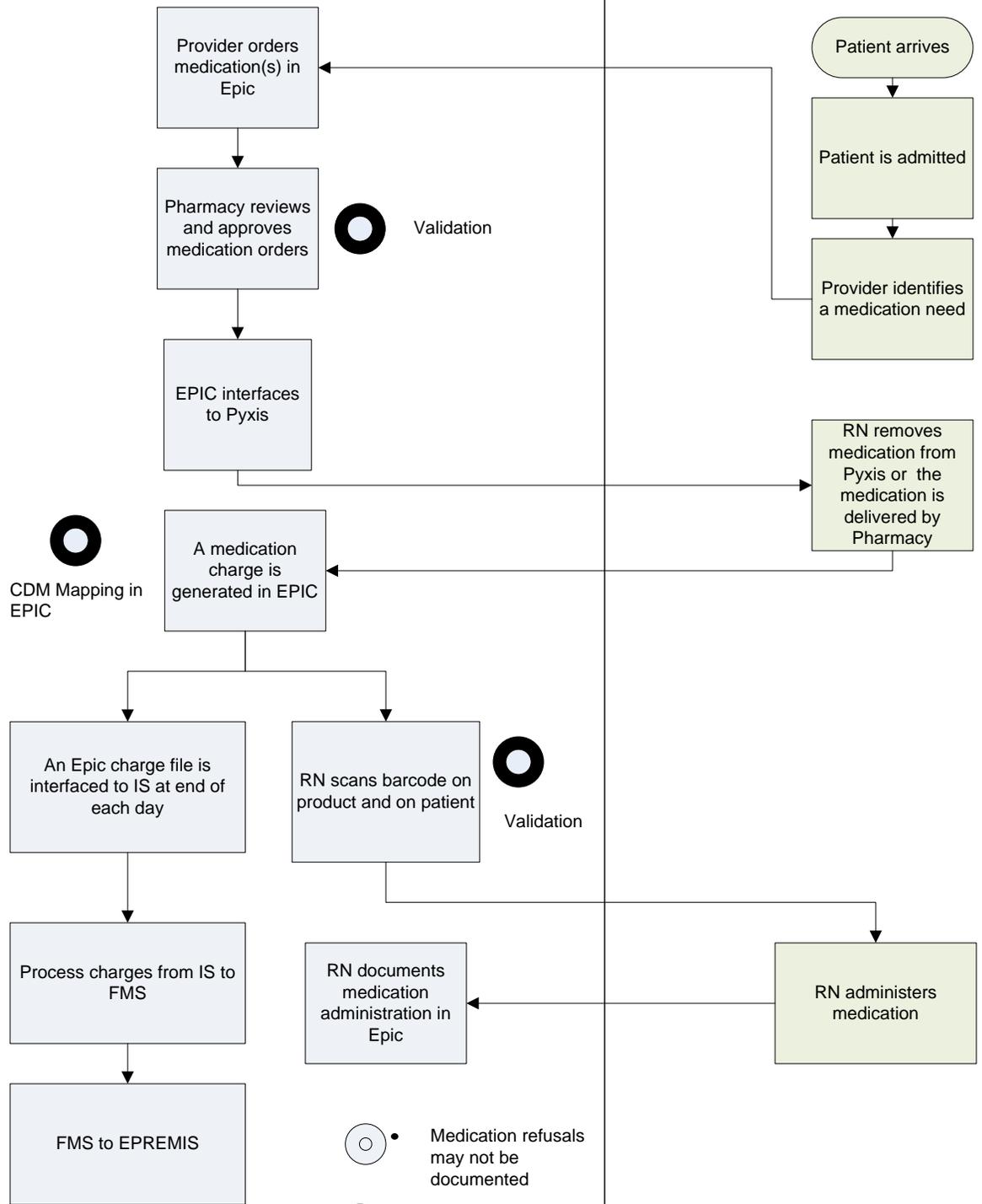
Ingenix (Claim Scrubber)

\*\*The drug administration is included in evaluation and management visits



Epic

Inpatient Service



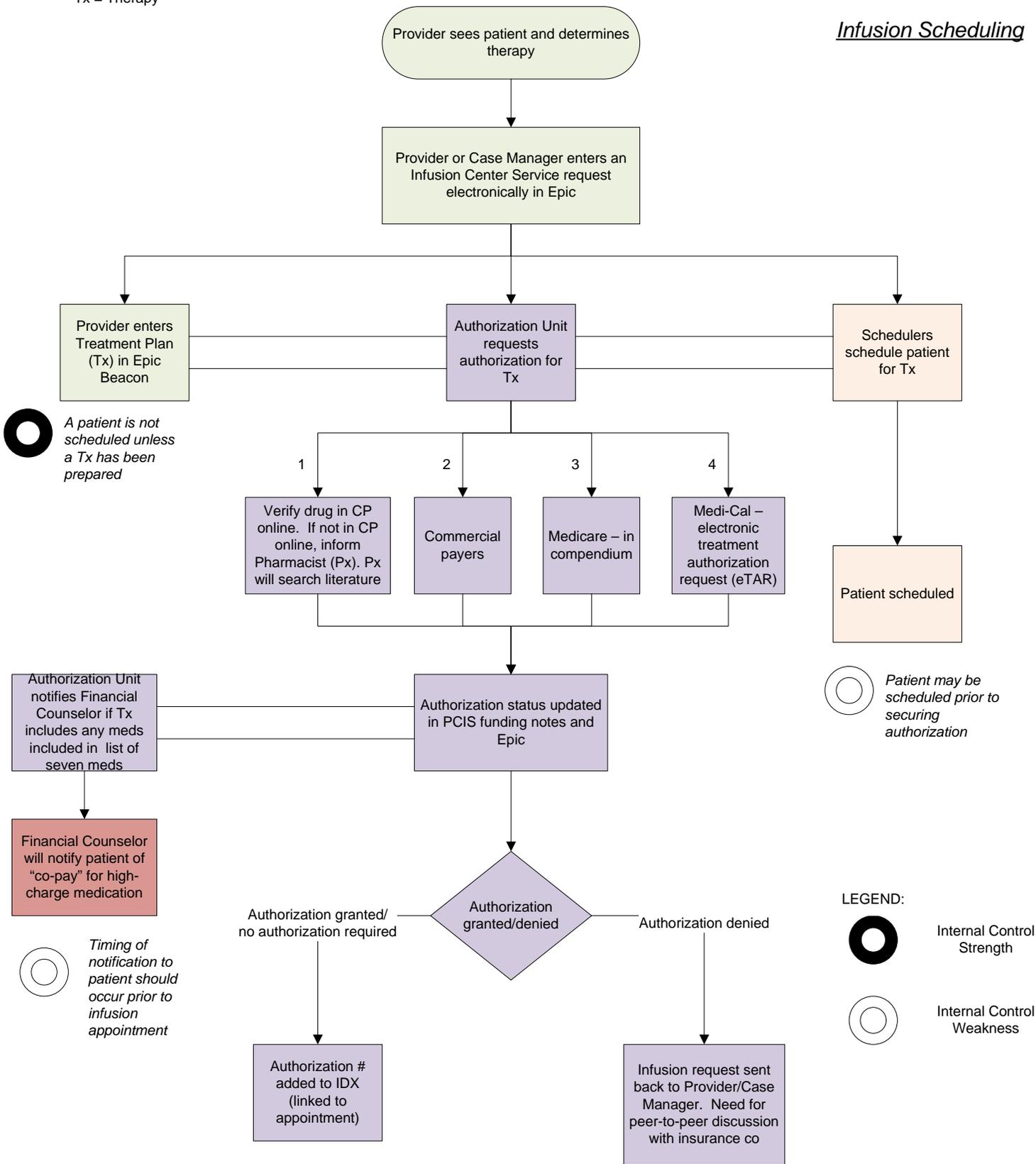
Internal Control Strength

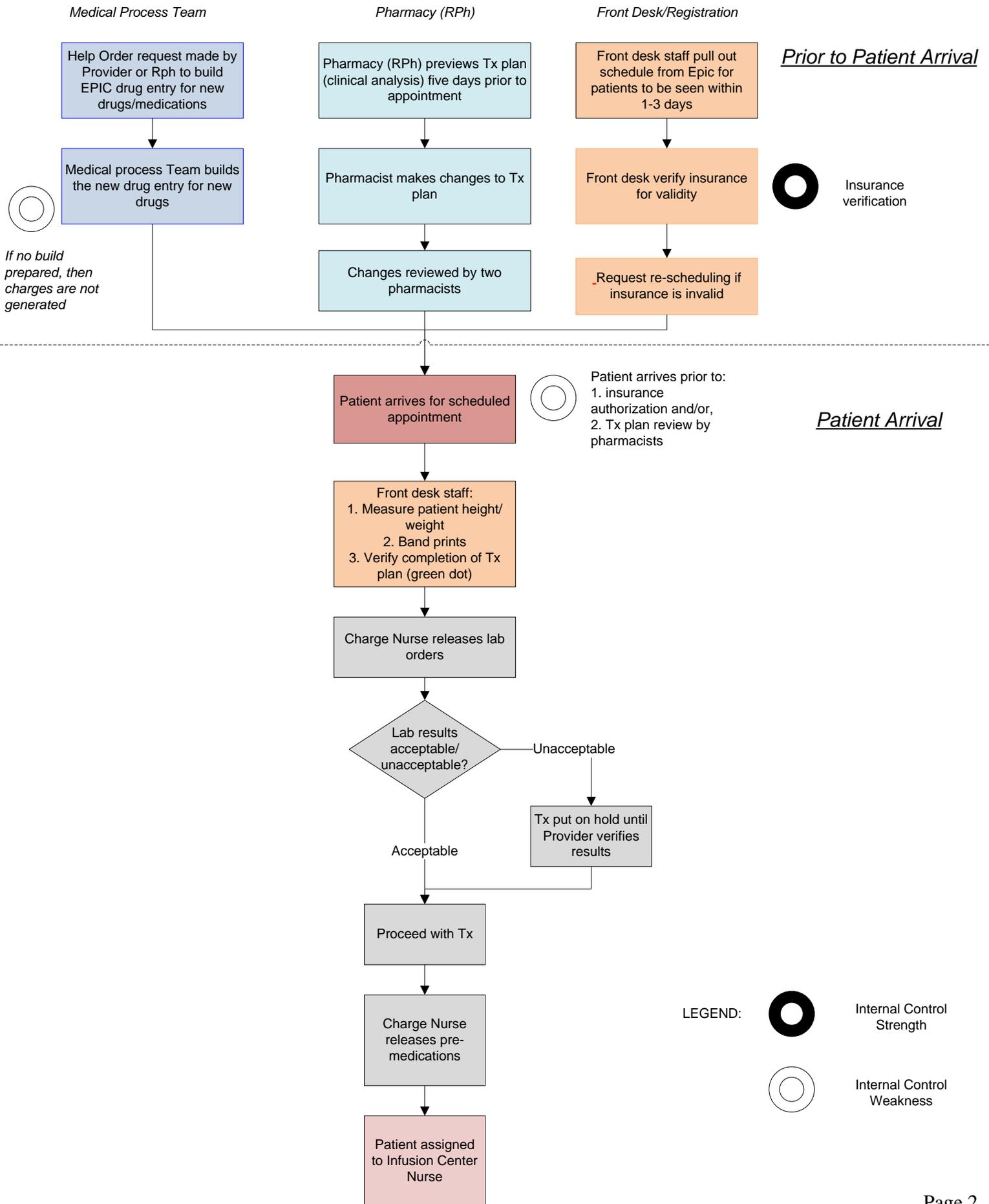


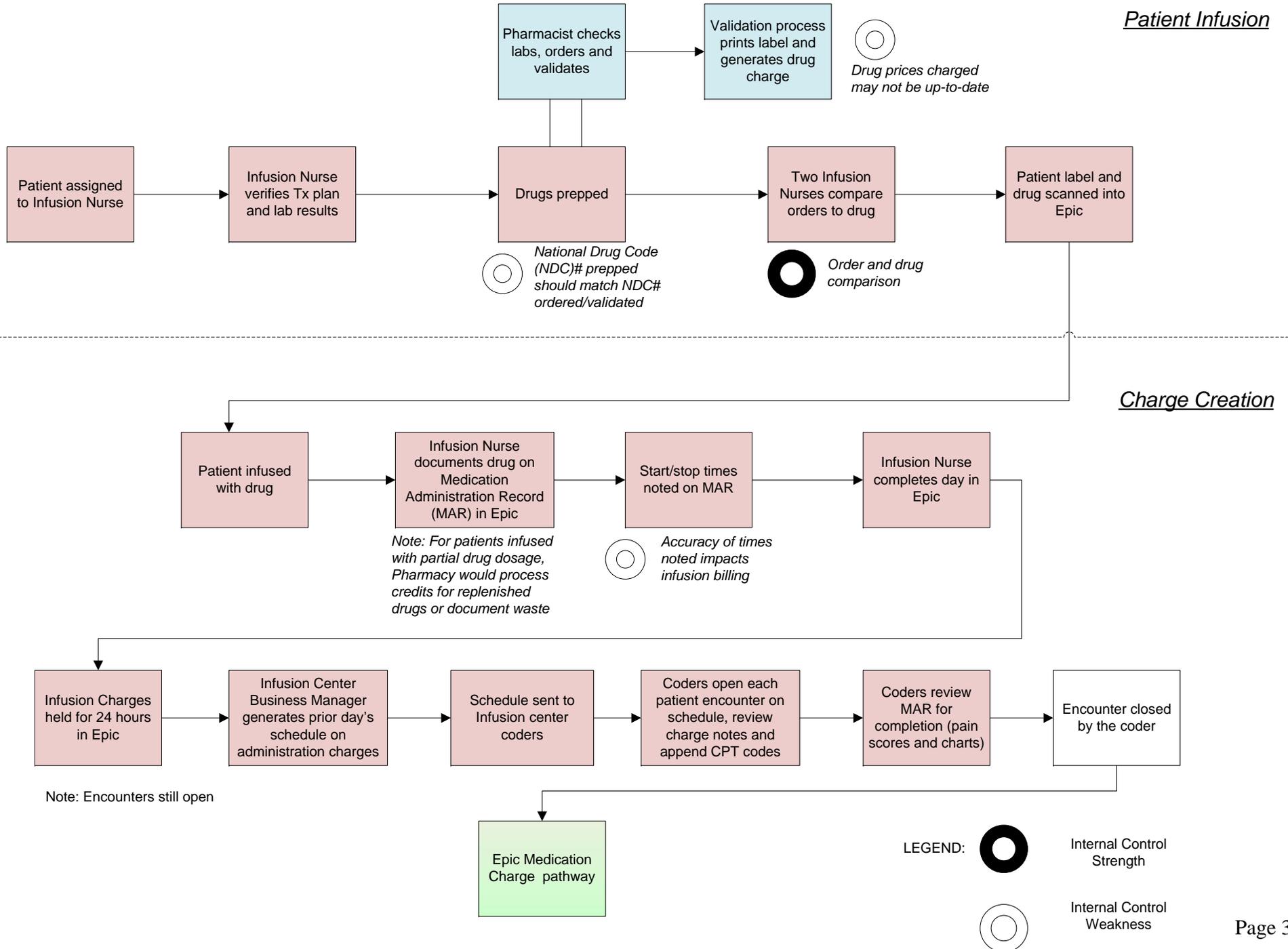
Internal Control Weakness

Tx = Therapy

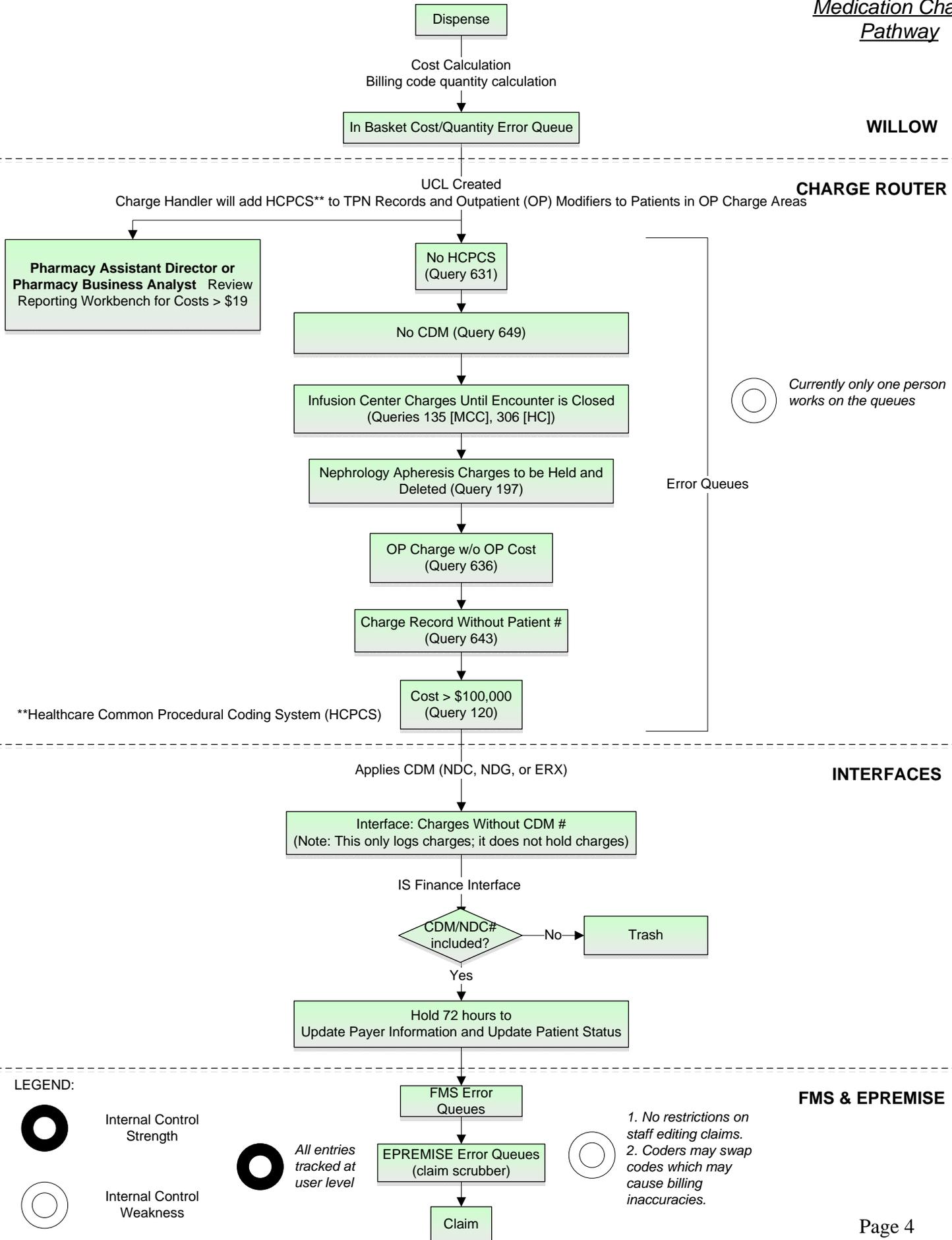
Infusion Scheduling







Medication Charge Pathway



Emergency Room (ER) Medication Billing Process  
Through June 3, 2012

Attachment A.4

