

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO  
AUDIT & ADVISORY SERVICES**

**Revenue Cycle – Off-license Location Review  
Project #21-056**

**July 2021**



University of California  
San Francisco

**Audit & Advisory Services**

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July 30, 2021

**Laurel Bray-Hanin**

Vice President and Chief Operating Officer of Cancer Services  
UCSF Health

**SUBJECT: Revenue Cycle-Off-License Location San Mateo Cancer Center**

As a planned internal audit for Fiscal Year 2021, Audit and Advisory Services (“A&AS”) conducted a review of Revenue Cycle-Off-License Location San Mateo Cancer Center. The purpose of this review was to evaluate processes for revenue cycle activities at an off-license location for governance, monitoring, and controls in place.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the “IIA Standards”).

Our review was completed and the preliminary draft report was provided to department management in June 2021. Management provided their final comments and responses to our observations in July 2021. The observations and corrective actions have been discussed and agreed upon with department management and it is management’s responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Board, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn  
Chief Audit Officer  
UCSF Audit and Advisory Services

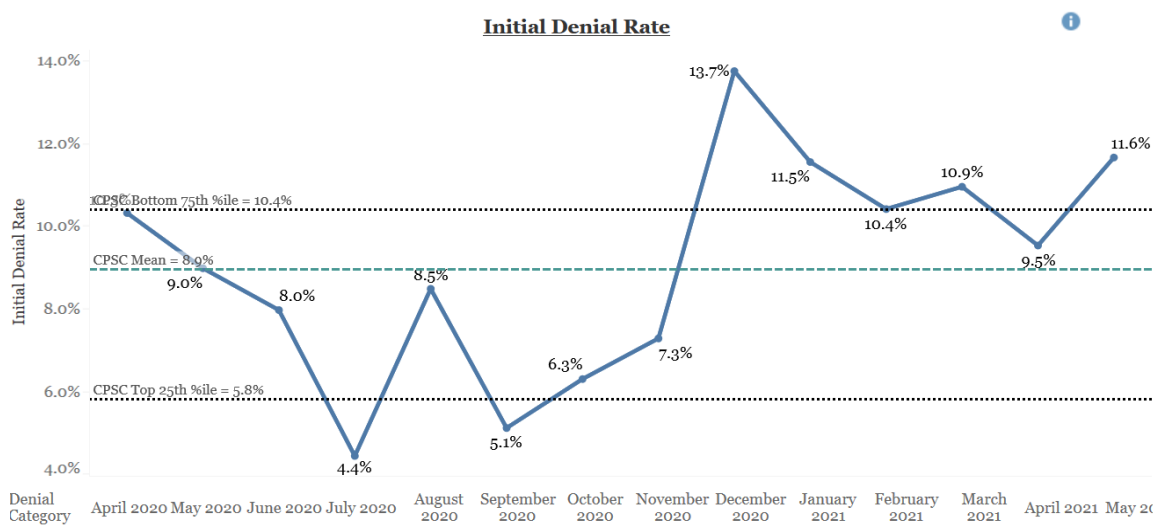


## EXECUTIVE SUMMARY

### I. BACKGROUND

As a planned audit for Fiscal Year 2021, Audit & Advisory Services (A&AS) conducted a review of Revenue Cycle Off-License Location for the San Mateo Cancer Center. The San Mateo Cancer Center, herein referred to as “the clinic” opened on January 13, 2020; it provides advanced care to patients with cancer on the Peninsula and streamlines access to UCSF specialists and clinical trials as needed. The clinic is a part of the UCSF Helen Diller Family Comprehensive Cancer Center; however, it is not on the hospital license. For Fiscal Year 21, the clinic has approximately \$26.6 million in operating revenue, \$23 million in operating expenses, and a net income of \$3.6 million as of April 30<sup>th</sup> 2021.

The clinic is responsible for registering patients and obtaining authorization with the payor for drugs. Additionally, the clinic works collaboratively with the Medical Group Business Services (MGBS) to reduce billing denials, and limit account receivable write-offs. Bi-monthly, the clinic meets with MGBS to review its performance. Some of the reports that the clinic reviews are: Accounts Receivable Aging, Monthly Charge Lag Report, Entry Lag by Provider, Denials Dashboard, Division Request for Information Summary, and Insurance Adjustments and Patient Bad Debt. These reports help the clinic monitor performance and take corrective actions when key performance indicators are trending downward. Below is a chart of the denial rate for the San Mateo Cancer Center.



### II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to evaluate processes for revenue cycle activities at an off-license location for governance, monitoring, and controls in place. Procedures performed as part of the review include: (1) interviewed key personnel to gain an understanding of the registration and authorization process; (2) examined key procedures around registration and authorization for high cost drugs; (3) performed data analytics and identified root causes for 41 denials and 30 write-offs for the period of July 2020 to February 2021; (4) reviewed variances from targets for denials and charge lags;

(5) analyzed metrics and evaluated how they are being tracked and used; and (6) analyzed revenue cycle workflow for adherence to guidelines and leading practices as well as opportunities for improvement.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in May 2021.

### III. SUMMARY

Based on the work performed, controls and processes for the clinic appear to be adequate. The clinic monitors its performance on a monthly basis and meets with MGBS every other month to go over key performance indicators. Currently, its professional billing denial rate is at 11.6% (for comparison, at another off-license cancer center the professional billing denial rate is at 27.2%). The total write-offs as a percentage of charges in March 2021 was 0.2% or approximately \$173k.

The specific observations from this review are listed below.

1. Key steps in authorization have not been documented for future training purposes.
2. Changes in billing instructions for an Independent Practitioner Association (IPA) were not timely communicated to responsible departments and resulted in claim denials, unnecessary billing rework, and delays in billing collection.

Additionally, one opportunity for improvement was identified in the area of establishing a dollar threshold to investigate write-offs for appropriateness.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (“MCAs”)

No.	Observation	Risk/Effect	Recommendation	MCA
1	<p><b>Key steps in authorization have not been documented for future training purposes.</b></p> <p>The clinic commenced service on January 13, 2020, and there was a learning curve for staff using APeX for registration and authorization. Testing of a sample of 71 transactions identified write-offs and one denial that were processed due to staff misunderstandings in the authorization process, such as:</p> <ul style="list-style-type: none"> <li>Two write-offs totaling approximately \$97k in the sample were processed due to APeX<sup>1</sup> system limitation and user error. APeX only allows the user to enter one authorization expiration date, so if two drugs are authorized with different authorization expiration dates, and the later expiration date is used, the other drug’s authorization date would have expired without anyone getting the appropriate authorization; therefore, the clinic has identified that the sooner of the two drug’s expiration date should be used.</li> <li>One write-off of \$7,454 was caused by the clinic not knowing they needed to get authorization because they did not have experience with working with Medicare Advantage through Health Plan of San Mateo.</li> <li>One denial in the amount of \$33,802 was identified as a result of requesting treatment in cycles instead of units; this has been corrected and the billing was resubmitted.</li> </ul> <p>These lessons have been communicated to staff, but not written down in the form of procedures for future training purposes.</p>	<p>By not documenting key procedures in the revenue cycle, new staff may not be properly trained, or errors may be repeated.</p>	<p>The clinic should document key steps and lessons learned in the authorization process.</p>	<p><b>Action:</b> The clinic will update their training materials to address key steps in the authorization process and capture lessons learned.</p> <p><b>Responsible Party:</b> Administrative Director, Cancer Center San Mateo</p> <p><b>Target Date:</b> August 31, 2021</p>
2	<p><b>Changes in billing instructions for an Independent Practitioner Association (IPA) were not timely communicated to responsible departments and resulted in claim denials, unnecessary billing rework, and delays in billing collection.</b></p>	<p>Without a clear understanding of the DOFR for the IPAs, the clinic</p>	<p>The clinic should work with MGBS and Health Plan Strategy &amp; Contracting to</p>	<p><b>Action:</b> The clinic will coordinate with MGBS and Health Plan Strategy &amp; Contracting</p>

<sup>1</sup> APeX is the electronic health record system used by UCSF.

No.	Observation	Risk/Effect	Recommendation	MCA
	<p>During the review, it was noted that approximately 68% of denials were due to Division Of Financial Responsibility (DOFR) issues. There are two main IPAs that UCSF has contracts with, Mills Peninsula Medical Group (MPMG) and Hills Physician Medical Group (HPMG). Per the new instructions for MPMG, drugs/injectables should be billed to the health plan, and the administrative code should be billed to the medical group. The clinic received this notification in March of 2020 and did not communicate the document with MGBS until March of 2021. Additionally, the Health Plan Strategy &amp; Contracting wasn't aware of the changes until April of 2021. As of fieldwork, MGBS and Health Plan Strategy &amp; Contracting are working to define the DOFR for the IPAs.</p> <p>The DOFR rules built in APeX for off-license facilities are not the same as for on-license facilities, which may be adding to the additional effort required to work DOFR denials.</p>	<p>will get unnecessary denials, creating billing rework for MGBS, and a delay in account receivable collection.</p>	<p>resolve the DOFR issues for the IPAs.</p> <p>MGBS should work with Clinical Systems to create an alt-payor logic for off-license locations to bill according to the IPA's directives.</p> <p>Health Plan Strategy &amp; Contracting should develop a communication pathway to allow the sharing of future</p>	<p>to resolve the DOFR issues for the IPAs.</p> <p><b>Responsible Party:</b> Director, Cancer Services Regional Expansion</p> <p><b>Target Date:</b> August 31, 2021</p> <p><b>Action:</b> MGBS will work with Clinical Systems to create an alt-payor logic for off-license locations to bill according to the IPA's directives.</p> <p><b>Responsible Party:</b> Director, Patient Financial Services &amp; Medical Group Business Services</p> <p><b>Target Date:</b> August 31, 2021</p> <p><b>Action:</b> Health Plan Strategy &amp; Contracting will communicate to clinics via Revenue Cycle calls and</p>

No.	Observation	Risk/Effect	Recommendation	MCA
			billing instruction changes.	Manager Weekly meetings the importance of forwarding IPA directives to a designated Health Plan Strategy email address.  <b>Responsible Party:</b> Director, UCSF Medical Group & Physician Services, Health Plan Strategy & Contracting  <b>Target Date:</b> August 31, 2021

**V. OPPORTUNITIES FOR IMPROVEMENTS**

No.	Observation	Risk/Effect	Recommendation
1	<p><b><i>The clinic’s monthly review of denials and write-offs are done at a high level for trend analysis and does not capture write-off errors at a detailed level.</i></b></p> <p>During the review, it was noted that MGBS made two write-off errors totaling \$895. These two errors have been communicated to MGBS, and the write-offs are in the process of being reversed.</p> <p>The current reports being used for monitoring and the bi-monthly meetings between the clinic and MGBS focus on summary level information and trends and would not identify individual write-offs for accounts that could be collectible. While it may not be practical or cost-effective to review all write-offs, without a more detailed review, the clinic may not be receiving all the revenue to which it is entitled for the services performed.</p>	By not establishing a risk-based approach to investigating write-offs, the clinic will miss the opportunity to correct write-offs made in error and collect additional revenue.	The clinic should consider establishing a dollar threshold to investigate write-offs for appropriateness.