

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

**UC Davis Health  
Professional Fee Billing  
Audit & Management Advisory Services Project #19-18**

**June 2019**

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**Professional Fee Billing  
AMAS Project #19-18**

**MANAGEMENT SUMMARY**

**Background**

As part of the fiscal year (FY) 2019 audit plan, Audit and Management Advisory Services (AMAS) performed a review of Professional Fee Billing. At UC Davis Health (UCDH), Health Information Management (HIM) completes a 100% review of physician services to ensure documentation and coding are consistent and that charges are generated for the services provided. It is the role of the Professional Billing Group (PBG) and Primary Care Billing (PCB) to submit charges for professional services to payors, confirm payments are received and follow up if the claim is denied or remains unpaid.

Professional fees are generated by services provided by physicians, and are billed separately from facility fees, which are generated by costs associated with the use of hospital facilities and equipment. UCDH bills for these services separately in an effort to decrease the average collection period for the hospital fee portion of the billing, which represents the most significant revenue source for UCDH.

**Purpose and Scope**

The purpose of this audit was to assess internal controls over the professional fee revenue cycle to ensure that physician fees are properly captured, billed, and collected in an efficient and effective manner.

To accomplish these objectives we met with leadership and staff from the UCDH Revenue Cycle, PBG, HIM and PCB. We reviewed monthly reporting for the patient billing revenue cycle that included charge entry and charge post lag percentages, average daily revenue, average collection period, and denials classified as avoidable. We also reviewed examples of monthly reporting prepared by PBG, which includes charge timeliness, services without charges, denials, write-offs, physician productivity, accounts receivable trending and an aging of services not yet billed that are held in the charge review workqueue. PBG also provided AMAS with detailed data for services without charges and professional fee write-offs.

Our scope of review included a three year trend analysis, from May 2016 to April 2019, on the percentage of charges that are billed within four days of the date of service. The reporting examples provided by PBG were for a single department's activity in January 2019, while the data for services without charges and write-offs were for FY 2018 and YTD FY 2019.

**Conclusion**

In discussions with UCDH Revenue Cycle, AMAS was advised that all physician services are reviewed and coded by HIM staff who are trained in coding practices of the assigned specialty. HIM has implemented a reconciliation process to confirm that all services provided by the physicians are reviewed and assigned the appropriate billing code.

HIM is not able to assign a billing code for all comments or services included in a patient record. In these cases, an internal code of 9980002 is used, which signifies that the documentation is non-billable or “no-charge” (N/C). The primary use of the N/C code is to validate that every chart entry has been viewed and coded.

A secondary benefit, however, could be gained from analysis of N/C activity. When utilizing this code, HIM staff are instructed to provide an appropriate reason to support that the chart entry cannot be billed. For the majority of the N/C codes, the lack of a charge is not predicated by action or inaction by the providing physician, but there are some instances of N/C codes that could result from physician action or inaction. AMAS concludes that there is no process for identifying such instances so that they may be communicated to departments in an effort to reduce their occurrence.

Additionally, AMAS observed that charge lag days for professional fees originating from the School of Medicine (SOM) are consistently greater than charge lag days reported for hospital or primary care network billing. A tool to identify at what step in the billing process the professional fee billing is encountering additional delays is not readily available. AMAS recommends that such a tool be developed and shared with the departments. Furthermore, those providers identified as most significantly contributing to increased delays, should be individually counseled as deemed necessary.

**Observations, Recommendations, and Management Corrective Actions**

The following table summarizes the observations, recommendations, and management corrective actions arising from the review of professional fee billing processes during FY 2019.

Observations	Recommendations	Management Corrective Actions
<b>A. No-charge items</b>		
<p><b>Notes in patient records that result in a no-charge are not accurately reported to the departments as impactable or non-impactable.</b></p> <p>There are numerous reasons why a provider note could be added to a patient record without generating a charge. In order to reconcile physician notes for which a charge cannot be generated, HIM assigns code 9980002. Justification for this assignment is selected by the Medical Services Abstractor from a drop-down list. PBG extracts these data for monthly reporting to appropriate departments.</p> <p>AMAS observed that reporting from PBG provided different N/C justifications than reporting provided by HIM. Additionally, AMAS observed that the categorization of the instances of N/C as impactable or non-impactable<sup>1</sup> were inconsistent with general expectations provided by HIM.</p> <p>Though the primary purpose of assigning the N/C code is to ensure all billable services are charged, a secondary benefit from this information could be achieved through</p>	<ol style="list-style-type: none"> <li>1. PBG and HIM should evaluate options currently available to abstractors for justifying N/C codes, and modify as necessary to ensure that instances can accurately be designated as impactable or non-impactable.</li> <li>2. PBG and HIM should develop a process to confirm that any new reason is appropriately designated as impactable or non-impactable.</li> <li>3. PBG should revise monthly reporting of instances of N/C to ensure that the data are meaningful to departments and that classifications of impactable and non-impactable are accurately assigned.</li> </ol>	<ol style="list-style-type: none"> <li>1. PBG and HIM will by December 15, 2019, review the available N/C reasons for completeness and assign a designation of impactable or non-impactable to each.</li> <li>2. By January 15, 2020, PBG and HIM will develop a process to communicate whenever a new reason is added and agree on whether the reason should be designated as impactable or non-impactable.</li> <li>3. PBG and HIM will update monthly reporting distributed to departments to ensure that N/C issues are appropriately described by March 15, 2020.</li> </ol>

<sup>1</sup> “impactable” in this context is synonymous with “avoidable.”

Observations	Recommendations	Management Corrective Actions
analysis of the N/C instances that are classified as impactable.		
<b>B. Charge lag</b>		
<p><b>1. Current reporting related to charge lag does not allow for identification of where in the billing process delays are occurring.</b></p> <p>Per Hospital Policies and Procedures #1205, Outpatient Charge Submission, the time between providing a service and billing for the service should not exceed four days.</p> <p>UCDH has multiple reports available to assess the timeliness of patient billing: one report measures the average duration between date of service and submission of claims, and one report measures the frequency of charges billed within the four day expectation. These reports are available to distinguish between the timeliness of hospital fee billing and professional fee billing, and in some instances the reports will distinguish the Primary Care Network (PCN) physician timeliness from the School of Medicine (SOM) physician timeliness. Reporting is not available to indicate the duration from the date of service to when charges are received by HIM; the duration for HIM to complete coding; and the duration from coding completion to when a claim is billed.</p> <p>A review of available reporting identified average days of charge lag as follows. We note that the average lag for SOM professional billing is almost 300% of expected:</p>	<ol style="list-style-type: none"> <li>1. To aid in the understanding of fluctuating charge lag, UCDH Revenue Cycle should develop reporting to monitor the average time duration in each step of the billing process for professional fees, including a process to make the information available to the departments. Specifically, this should include the duration from date of service to when charges are received by HIM; the duration for HIM to complete the coding; and the duration from coding completion to when a charge is posted to accounts receivable.</li> <li>2. UCDH Revenue Cycle should use this information to attempt to shorten the charge lag for professional fee billing. If it is found that timeliness of provider documentation is contributing disproportionately to delays, information on individual providers should be shared with</li> </ol>	<ol style="list-style-type: none"> <li>1. By March 15, 2020, UCDH Revenue Cycle leadership will develop and distribute reporting to identify the average length of time a charge resides in each step of the billing process.</li> <li>2. Using the reporting developed in B.1, PBG will, by April 15, 2020, develop a process to identify providers with the greatest habitual delay contributing to charge lag. This information will be shared with providers in an effort to reduce charge lag.</li> </ol>

Observations			Recommendations	Management Corrective Actions												
<table border="1"> <thead> <tr> <th>Billing Group</th> <th>4/30/2019</th> <th>5/31/2018</th> </tr> </thead> <tbody> <tr> <td>Professional Fee (SOM)</td> <td>11.02</td> <td>11.62</td> </tr> <tr> <td>Professional Fee (PCN)</td> <td>4.69</td> <td>3.71</td> </tr> <tr> <td>Hospital Billing</td> <td>3.20</td> <td>3.20</td> </tr> </tbody> </table> <p>These reports do not indicate which step(s) in the billing process are most significantly impacting delays.</p>			Billing Group	4/30/2019	5/31/2018	Professional Fee (SOM)	11.02	11.62	Professional Fee (PCN)	4.69	3.71	Hospital Billing	3.20	3.20	departments to enable appropriate action.	
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<p><b>2. Charge timeliness reporting prepared by PBG is not consistent with the expectations included in UCDH policy.</b></p> <p>Additional reporting related to timeliness of professional billing for SOM providers has been developed by PBG and is distributed monthly to each department. This report groups charges by the number of days between the date of service and when the charge was billed, using the increments of 0-2 days, 3-5 days, 6-10 days, 10-21 days and 21+ days. This report also includes the percentage of charges that are entered within 10 days of the date of service. Though this report is useful to the departments for trending charge lag, the parameters used do not comport with the policy requirement that charges be completed within four days of the date of service.</p>			<p>1. PBG should update monthly reporting of charge timeliness to ensure that reporting to departments is consistent with expectations in policy.</p>	<p>1. By November 15, 2019, PBG will update charge timeliness reporting to be consistent with policy expectations.</p>												