

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

**Medical Center  
Service Contracts  
Project #14-028**

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**Medical Center  
Service Contracts  
Project #14-028**

**MANAGEMENT SUMMARY**

As a planned audit for Fiscal Year 2013-2014, Audit Services conducted a review of service contracts within Health Information Management Services (HIMS). The department is a support service of UCSF Medical Center, whose primary purpose is to contribute to the quality of patient care through the development and maintenance of a comprehensive, centralized medical record system.

The purpose of the review was to determine whether adequate internal controls exist for the proper oversight and management of service contracts to ensure contract performance and obligations are being met. HIMS was selected based on their expenditures for coding and transcription service contracts, which totaled \$1.5 million and \$111,000 respectively in fiscal year 2013.

The objectives for this review were to 1) evaluate existing procedures and practices for the oversight and monitoring of contracted services to ensure that the services provided by the contractor are in accordance with the contractual agreement; 2) determine whether appropriate internal controls exist to ensure that payments to contractors are accurate and in accordance with contractual agreements; and 3) determine whether there are periodic reviews of service contracts to identify whether potential cost savings can be achieved through market testing and /or consolidation of services.

Based on work performed, Audit Services determined that HIMS is effectively managing and properly overseeing their service contracts and have the appropriate controls to monitor service production, quality and payment accuracy. While proper oversight is in place, process enhancements are necessary to ensure that coding contractors meet their accuracy and productivity requirements. HIMS is providing a robust quality assurance process of coding activity, a responsibility that could be shared by the vendors. With respect to travel and lodging expenses, Audit Services found that there are opportunities for cost savings by developing a plan for coding vendors to work remotely, thereby eliminating the need for travel reimbursements, an option that was not available prior to the implementation of APeX. Lastly, there is no language in the contracts speaking to preferred methods of travel by vendors nor are there guidelines encouraging the utilization of economical means of transportation or preferred hotels. Addressing this issue by providing guidelines on cost effective travel options may help to reduce travel related costs.

Additional information regarding the observations is detailed below.

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## I. BACKGROUND

As a planned audit for Fiscal Year 2013-2014, Audit Services conducted a review of service contracts at Health Information Management Services (HIMS). The department is a support service of UCSF Medical Center, whose primary purpose is to contribute to the quality of patient care through the development and maintenance of a comprehensive, centralized medical record system. HIMS currently maintains five million records and supports the mission of the Medical Center by providing complete and accurate medical information for patient care, research, and financial planning. In Fiscal Year 2013, HIMS was the second highest consumer of contracted services (discounting APeX business units) with Coding and Transcription Services being the largest; Fiscal Year 2013 spends totaled \$1.5 million and \$111,000, for Coding and Transcription Services.

At the time of the review, HIMS was mainly reliant on contracted staff for coding and transcription services; in-house staff consisted of one inpatient coder, two outpatient coders and one on-staff transcription employee. Because of this, the department is currently utilizing six separate contract companies to provide staffing resources for these services. The need for transcription services has sharply decreased in the past year since APeX implementation and use of a voice recognition application (Dragon), thus there has been a significant reduction in staffing and expenditures in this area. The majority of transcription services are covered by a single vendor, with the other vendors providing service as needed. Conversely, the high demand for coders has produced a heavy reliance on outside coding contractors as HIMS has had difficulty securing permanent staff in these positions due to lower salaries and a lack of local resources for staffing. They have recently implemented a recruitment strategy to recruit permanent coding staff and, as a result of their efforts have recently hired three additional coding staffs that are expected to complete their training by the beginning of next year. In the coming year, HIMS hopes to continue to increase the number of permanent coding staff and become less reliant on outside contractors.

## II. AUDIT PURPOSE AND SCOPE

The purpose of the review was to determine if there are adequate internal controls for the proper oversight and management of service contracts within HIMS.

The specific objectives for this review were to:

- 1). Evaluate existing procedures and practices for the oversight and monitoring of contracted services to ensure that the services provided by the contractor are in accordance with the contractual agreement;
- 2). Determine whether appropriate internal controls exist to ensure that payments to contractors are accurate and in accordance with contractual agreement; and
- 3). Determine whether there are periodic reviews of the service contracts to identify whether potential cost savings can be achieved through market testing and /or consolidation of services.

In conducting our review, the following procedures were performed:

- Identified the minimum coding accuracy rates as stipulated in the contract agreement and determined if there is a process in place to ensure that the accuracy rates are being met and monitored.
- Reviewed the Quality Assurance program for coding accuracy to determine if it is comprehensive and effective;
- Determined how service contract work production is monitored and selected a sample of productivity reports to determine if production levels comply with contract stipulations;
- Reviewed the process to address coding accuracy and production compliance issues and evaluated its effectiveness;
- Determined whether appropriate internal controls existed to ensure that payments to contractors are accurate and in accordance with contractual agreements;
- Selected a sample of payments made to the coding and transcription vendors and validated the accuracy of the payments;
- Evaluated how travel expenses are monitored by HIMS and validated that reimbursements for a selected sample of invoices were supported by proper documentation and within the allowable per diem rates as specified in the contract.
- Obtained comparative data from other UC Medical Centers to determine whether HIMS contract rates for coders are in line with amounts paid by other locations for the same services.
- Validated that contracts and Business Associate Agreements were on file for all contractors.

Work performed was limited to the scope period and specific procedures identified above; as such, this report is not intended to, nor can it be relied upon to provide an assessment of the management and oversight of coding and transcription contracts within the department beyond those processes specifically reviewed. Fieldwork was completed in December 2013.

### III. CONCLUSION

From the work performed, Audit Services determined that HIMS is effectively managing and properly overseeing their service contracts and have the appropriate controls to monitor service production and quality. Payments to contractors were also reviewed and no issues specific to payment accuracy were noted for either service type. While proper oversight is in place, process enhancements can be made for ensuring coding contractors meet their accuracy and productivity requirements (number of charts coded per day). Production requirements set in the contracts are based on industry standard averages; however, because UCSF cases can be more complex, production tends to be below the standards outlined in the contract for inpatient coding. HIMS management should assess the production targets to ensure that they are attainable and provide a meaningful measure.

Coding accuracy rates, while on average are meeting requirements, are not always consistent. The accuracy rate required of the contract staff is at least 95%, however, HIMS has implemented different targets for individual areas based on compliance criteria and likeliness of affecting reimbursement rates. Not all of the gauges are meeting the 95% on a consistent basis. To monitor the quality and accuracy of coding services, HIMS has implemented a robust, two-prong Quality Assurance (QA) process to

help monitor and improve the quality of medical record coding. However, the contract agreements do not require the vendors to have a quality assurance program in place to better ensure the quality of their output. With the current heavy reliance on contract coders and expected future sustained use of contract coders, HIMS should consider sharing responsibility and/or greater accountability for the coding vendors on the quality of the coding. Additionally, Audit Services found that there are opportunities for cost savings by having coding vendors work remotely (eliminating the need for travel reimbursement) on a regular or semi-regular basis. While working off-site was not an option prior to the implementation of APeX, HIMS is now able to explore this as a possibility, thus providing potential savings in travel expenses for contracted coders. Furthermore, there is no language in the contracts speaking to preferred methods of travel or encouraging more economical means of transportation, nor are there guidelines for the contractors on preferred hotels or nightly hotel rate caps. Addressing this issue by providing guidelines on cost effective travel options may help to reduce travel related costs for contractors.

Specific observations and management corrective actions to address the aforementioned issues are set out below.

#### IV. **OBSERVATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**

##### A. **Coders Productivity**

***Coders' production levels, as stipulated in the contracts, are not being met and do not reflect the composition and complexity of UCSF cases.***

Each coding contract specifies required minimums to be completed each 8-hour shift. Production requirements set in the contracts are based on industry standard averages of 35 Outpatient and 25 Inpatient charts coded per shift.

While HIMS management monitors daily production levels, they do not hold the contract coders to the production levels stated in the contract agreements. HIMS management indicated that the complexity of some of the UCSF cases, as well as additional steps that are required for ensuring that coding is accurate, impacts their productivity, particularly for inpatient coding production. Based on the productivity reports reviewed, a select number of coders achieved the standard production rates but the majority of coders typically coded 5 –15 fewer cases per day than the production requirements in the contract agreements. While the department is aware of this, the production rates in the contract agreement have not been updated to reflect the changes in UCSF's coding compliance environment and need for more attainable targets.

If targets are not attainable, the vendor cannot be held accountable for insufficient production and monitoring effectiveness is diminished.

##### **Management Corrective Action**

By July 1, 2014, HIMS will review contractor production averages and will set attainable targets accordingly, based on the needs of UCSF Medical Center. The contract agreements will be updated to reflect the revised production targets.

## B. Quality Assurance Program

**Processes for assuring the quality of coding services provided by the contracted vendors do not provide sufficient accountability for the vendor for quality assurance.**

The accuracy rate required of the contract staff as stipulated in each of the contracts is at least 95%. Based on compliance criteria and those impacting the hospital reimbursement rates, HIMS has implemented different accuracy targets for individual areas, including facility coding, patient status and discharge disposition. Based on the reports reviewed, not all of the rate gauges are meeting the 95% accuracy rate requirement on a consistent basis.

HIMS has implemented a quality assurance and auditing program that consists of weekly, one-on-one review sessions with a coding reviewer and a separate, 200 inpatient chart coding audit that is completed on a quarterly basis with educational sessions following these audits to discuss the collective and systematic issues that are identified. This quality assurance and auditing program is delivered through use of outside consulting vendor with HIMS bearing the cost for the program entirely. No provisions are included in the contracts for the hospital coding contractors to have a quality auditing program in place.

Not requiring the vendors to provide a quality assurance process decreases the accountability for quality by the vendors.

### **Management Corrective Action**

As the existing contracts come up for renewal, HIMS will work with the contractors in updating the agreements to include specific requirements for quality analysis of coding to ensure shared responsibility for the coding quality. The revisions to the contracts will be completed by September 30, 2014.

## C. Travel Expenses

***There are opportunities for process improvements and cost savings for travel expense reimbursement.***

University Travel Policy requires that transportation expenses be reimbursed based on the most economical mode of transportation.<sup>1</sup>

Currently, all contract coders are required to work on-site, and are reimbursed for travel, meals and lodging expenses. With the implementation of APeX, there is the opportunity for coders to work remotely, which is an option that HIMS is currently considering. However, the practice has not yet been established and HIMS is incurring significant costs associated with contractor travel and lodging reimbursements.

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<sup>1</sup> University of California Policy BFB-G-28 Travel Regulations

Upon review, Audit Services found reimbursements submitted for car rentals, taxis and daily parking at hotels as well as the HIMS work-site location. Use of rental cars may not be the most cost effective option for contracted staff that resides in hotels in or close to downtown San Francisco. While HIMS reviews the reimbursement claims prior to approval, it has not provided any guidelines to the contractors on allowable or acceptable travel expenses the Medical Center will be prepared to reimburse, as a result, costs incurred maybe higher than necessary.

#### **Management Corrective Action**

1. HIMS management will develop a plan for contract coders to work remotely on a regular or semi-regular basis. The plan will be completed by April 30, 2014.
2. By June 1, 2014, HIMS management will develop guidelines on travel, lodging and transportation that will be reimbursed by the Medical Center.

#### **D. Price Analysis**

***No formal and documented price analysis exists to demonstrate that the most competitive prices are obtained for services.***

HIMS currently utilizes three vendors for coding services. One of the vendors has contracted with the department since 2007 with subsequent renewals for service provision, while the other two were brought on as vendors in the last two years. One of the vendors is paid on a per-chart basis while the others are paid hourly, one at a rate of \$70 per hour and the other at \$75 per hour, plus the cost of travel and lodging. In comparison the other UC Medical Centers are paying \$62 per hour plus travel and lodging (UC San Diego) and \$70 - \$90 inclusive of travel (UC Davis).

HIMS management indicated that regional factors account for the differing fee rates between the other UC Medical Centers. Additionally, when new vendors are considered or existing contracts renewed vendor fee rates and quality comparisons are performed. However, review of contract documents found no formal documented market price analysis to demonstrate that HIMS was receiving cost effective services.

#### **Management Corrective Action**

By July 30, 2014, or before renewing existing contracts, HIMS management in conjunction with Purchasing, will document market comparative pricing and quality criteria to better ensure that they receive competitive pricing for coding services.

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