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

# UCSF Health
# Clinic Operations – Physical Therapy
# Project #15-035

**May 2015**

University of California
San Francisco

**Audit and Advisory Services**

May 20, 2015

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Director
Rehabilitative Services

**SUBJECT: Clinic Operations Review - Physical Therapy**

As a planned audit for Fiscal Year 2015, UCSF Audit and Advisory Services (AAS) conducted a review of the clinic operations for the UCSF Physical Therapy and Rehabilitation (PT) Clinic (Faculty Practice) at the Mission Bay location.

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 preliminary draft report was provided to department management in March 2015. Management provided us with their final comments and responses to our observations in May 2015. 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. In accordance with the University of California audit policy, AAS 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
Director
Audit and Advisory Services

# EXECUTIVE SUMMARY

## I. BACKGROUND

As a planned audit for Fiscal Year 2015, Audit and Advisory Services (AAS) conducted a review of the clinic operations for the UCSF Physical Therapy and Rehabilitation (PT) Clinic (Faculty Practice) at the Mission Bay location. The PT Clinic offers physical therapy consultations, evaluations, and interventions to patients of all ages. Patients are generally referred from providers at UCSF and from UCSF Affiliates and non-UCSF providers. PT Clinic also plays an important role as part of a leading teaching hospital by assisting and supervising interns in the Department of Physical Therapy and Rehabilitation Science program of the UCSF School of Medicine.

PT Clinic's gross revenue for services was approximately $13 million for Fiscal Year 2014 and $9.8 million for Fiscal Year 2015 (as of March 2015). There were approximately 21,000 encounters in 2014 that were serviced by 23 physical therapists and 8 interns.

Advancing Patient Centered Excellence (APeX) electronic health record system is used for scheduling, documenting, capturing charges and billing of services provided for PT patients. Individual physical therapists are responsible for coding charges and documenting in the encounter notes in APeX.

## II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the effectiveness of the internal controls over clinic practices and operations, including cash collection, payments handling, charge capture, and HIPAA compliance.

The scope of the review covered transactions and activities for the period of January 1, 2014 to December 31, 2014.

Procedures performed as part of the review included interviews with PT Clinic personnel; assessment of existing controls and processes for cash handling and charge capture; assessment of physical security controls for cash; and review of a sample of encounters for coding, documentations, and charges. For more detailed steps, please refer to Appendix A.

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 March 2015.

## III. SUMMARY

Based on work performed, there were effective controls in place at PT Clinic to allow appropriate accounting of cash receipts collected, co-pay collections, documentation in encounter notes, timely closure of encounters, and various internal reviews and audits performed by PT Clinic managers and physical therapists. The review has identified

opportunities for improvement in the areas of documentation, revenue capture, and cash handling. The specific observations from this review are listed below.

A. Documentation

- Plan of Care (POC) is not always included or completed in the certification or recertification documentation.
- Dexamethasone medication administered by physical therapists is not always supported by a physician's order and is not easily identified in the medical record.

B. Revenue Capture

- Revenue opportunities were lost since modifier 59 was not used as per Medicare National Correct Coding Initiative (NCCI) for bundling codes.
- PT Clinic does not have an effective process for monitoring the Medicare therapy cap limit.
- KX modifier may not always be used appropriately.
- The current review processes are not effective in identifying missed charges.

C. Cash Handling

- Frequency of deposits did not meet the University requirements for cash controls.
- Periodic cash audits were not performed.

## IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

### A. Documentation

| No. | Observation | Risk/Effect | Recommendation | MCA |
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| 1 | ***Plan of Care (POC) is not always included or completed in the certification or recertification documentation.***<br><br>Based on our review of a sample of ten certification forms (PT44) created for Medicare patients, we noted the following:<br>• Three did not include POC.<br>• Two did not include the frequency of therapy in the POC.<br><br>CMS's Medicare Fee-For-Service (FFS) requires a physician's certification of the POC which includes (at a minimum) diagnoses, long-term treatment goals, the type of rehabilitation therapy services, amount of therapy, duration of therapy, and frequency of therapy. Additionally, significant changes in POC require physician's recertification. | Lack of a POC or incomplete information may cause non-compliance with Medicare requirements, and may result in fines or repayment. | PT Clinic should develop guidelines for the POC certification/recertification and provide training to physical therapists. | Effective April 30, 2015, smart text was added to the PT44 form template to require necessary information for POC.<br><br>Additionally, PT Clinic has instructed physical therapists to document the required details of the POC in the PT44 form.<br><br>No further action required. |
| 2 | ***Dexamethasone medication administered by physical therapists is not always supported by a physician's order and is not easily identified in the medical record.***<br><br>PT Clinic administers the anti-inflammatory steroid, Dexamethasone, through Iontophoresis procedure.[1] Review of patient records identified:<br>• Physician orders for the Iontophoresis procedure were not always present (this is sometimes included in the referral order or in the POC but this was not | Inconsistencies and/or lack of documentation on medication administered increase risks of non-compliance and patient safety due to potential adverse drug | a) PT Clinic should ensure that a medication order is obtained from the provider prior to administering any drugs.<br><br>b) To ensure consistency and visibility of the | a) By June 30, 2015, PT Clinic will develop guidelines and provide training to physical therapists on the importance of obtaining a physician medication order prior to administering drugs.<br><br>b) By September 30, 2015, the updated PT44 form will serve as the procedure and medication order and will be required to be |

[1] Charges for Iontophoresis include fees for Dexamethasone; therefore, only Iontophoresis is documented in the charge section.

| No. | Observation | Risk/Effect | Recommendation | MCA |
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| | always the case);<br>• No medication order by the provider was found for Dexamethasone, including the dosage and frequency as required by California State regulations;<br>• There were inconsistencies in the medication administration documentation. Generally, it is documented in "PT Intervention" section in APeX encounter notes; however, we found some cases where there is no documentation; and,[2]<br>• The medication information is buried in the encounter notes. This may make it difficult for other providers to see the information and to assess potential drug reactions.<br><br>California Code of Regulations stipulates that:[3]<br>• Any topical medication applied or administered shall be ordered by a practitioner legally authorized to order or prescribe such medication.<br>• Written protocols which include a description of the medication, its actions, its indications and contra-indications, and the proper procedure and technique for the application or administration of medication shall be prepared. | reactions. | medication administered, PT Clinic should consider creating an order set in APeX for Iontophoresis procedure which includes medication documentation.<br><br>c) Administration of Dexamethasone, its dosage and written protocol should be documented in the patient record. | signed by the provider prior to medication administration.<br><br>c) By September 30, 2015, PT Clinic, will work with APeX Clinical team to determine and implement the appropriate method to document administration of Dexamethasone and written protocol in the patient records. |

[2] In 2014 there were 57 encounters for Iontophoresis procedure, of which 8 encounters did not have the medication Dexamethasone documented in the "PT Intervention" section of the encounter note; and 10 encounters had the information only in "Plan" section. Dosage (1.5mL) of Dexamethasone was not documented.

[3] 16 CCR §1399.78 Authorization and Protocols Required

## B. Revenue Capture

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| 3 | ***Revenue opportunities were lost since modifier 59 was not used as per Medicare National Correct Coding Initiative (NCCI) for bundling codes.***<br><br>Review of charges coded by physical therapists for Medicare patients in 2014 identified over 100 instances where charges were adjusted (written-off) as part of Patient Financial Services (PFS) claim edits check due to coding of the charges not meeting requirements for the Medicare National Correct Coding Initiative (NCCI) edits for bundling codes. As there was not a feedback mechanism to communicate errors identified back to the PT Clinic, the clinic was not aware of charges being adjusted by PFS and the need to resubmit with a correct modifier.<br><br>Additionally, based on discussions with PT Clinic managers, training has not been provided to physical therapists for the NCCI edit requirements and the use of the modifier.<br><br>Medicare NCCI defines edits for bundling codes based on anatomic, temporal, or gender considerations. Some bundled codes can be billed together when used with appropriate modifier and supported by sufficient documentation.[4] | Revenue may be lost due to incorrect coding for charges. | a) PT Clinic, in consultation with Clinical Compliance Office, should develop guidelines for meeting Medicare NCCI edits and provide training to physical therapists.<br><br>b) PT Clinic should work with Patient Financial Services (PFS), in creating an APeX work queue for the NCCI edits relevant for PT billing codes. | a) By July 31, 2015, PT Clinic, in consultation with Clinical Compliance Office, will develop guidelines for meeting Medicare NCCI edits and provide training to physical therapists.<br><br>b) By November 30, 2015, PT Clinic, in conjunction with Patient Financial Services (PFS), will create an APeX work queue for the NCCI edits to be reviewed by PT personnel. |
| 4 | ***PT Clinic does not have an effective process for monitoring the Medicare therapy cap limit.***<br><br>Based on discussions with PT Clinic managers and observations at the clinic, we noted that PT Clinic does | Absence of defined procedures increases the risk of potential | PT Clinic should develop procedures for tracking of cap and provide training to physical | a) By August 31, 2015, PT Clinic will include the therapy cap monitoring in the existing quarterly utilization review process. |

[4] CMS NCCI Coding Edits (http://www.cms.gov/Medicare/Coding/NationalCorrectCodInitEd/NCCI-Coding-Edits.html).

| No. | Observation | Risk/Effect | Recommendation | MCA |
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| | not have an effective on-going tracking and monitoring process to ensure that the annual cap is not exceeded. Additionally, PT Clinic does not have defined procedures on the cap verification process, resulting in inconsistent practices.<br>The 2014 annual limitation for Medicare payments for outpatient therapy services (for physical therapy and speech-language pathology services combined) was $1,920. | revenue loss if cap limit is exceeded. | therapists. | b) By August 31, 2015, PT Clinic will develop written procedures to track of cap limit to include defining roles and responsibilities for initial verification and subsequent on-going tracking of the cap limit. |
| 5 | ***KX modifier may not always be used appropriately.***<br><br>Billing records in 2014 showed that the KX modifier was used for encounters where Medicare annual cap limit was unlikely to be exceeded.[5]<br><br>PT Clinic Manager and AAS reviewed some of the encounters where the KX modifier was used and the reason for using the KX modifier could not be determined. Based on discussions with the PT Clinic Managers, it appears that physical therapists may not have clear understanding on how and when to use the KX modifier due to lack of guidelines and training.<br><br>Providers can use the KX modifier for claims that exceed the annual cap if beneficiaries qualify for therapy cap exception. By using the KX modifier, the provider is attesting that the services are reasonable and necessary and that there is documentation of | Inappropriate or excessive use of the KX modifier increases risk of non-compliance with CMS billing regulations. | PT Clinic should develop written guidelines for the appropriate use of the KX modifier and provide training to physical therapist. | By August 31, 2015, PT Clinic will develop written guidelines for the appropriate use of the KX modifier and provide training to physical therapist. |

[5] For some cases the KX modifier was applied for services that occurred at the beginning of the benefit year. Also cumulative payments received in 2014 for 23 Medicare PT patients where the KX modifier was used appeared to be low, ranging from $115 to $1,168, indicating that the Medicare annual cap was unlikely to be exceeded unless PT Clinic was aware that the patient had received physical therapy treatment elsewhere at non-UCSF clinic. However, there was no written notation in the records to indicate this.

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| | medical necessity. CMS also prohibits excessive use of the KX modifier.[6] | | | |
| 6 | ***The current review processes are not effective in identifying missed charges.***<br><br>Review of closed encounters for the period of January 1, 2014 through December 31, 2014 identified 85 encounters without any charges, although PT services were provided. While individual physical therapists are required to perform a daily review of the Department Appointment Reports (DAR) and charge reconciliation reports, the missing charges were not identified through this review. Further discussions with the PT Clinic Managers, we noted that PT's current process does not fully meet the Medical Center's Charge Capture and Reconciliation Policy.<br><br>The Medical Center Charge Capture and Reconciliation Policy requires that clinics perform daily comparison of the DAR with Revenue and Usage Report; review of the clinical documentation against encounters to ensure all charges are captured; retention of evidence of the reconciliation for 90 days; and periodic reviews of reconciliation work papers by Department manager/director. | Without effective charge reconciliation processes, inaccuracies and/or missed charges may not be detected. | a) PT Clinic should consider adding a column for "Charges Reviewed" in the biweekly productivity report to confirm completion of this review.<br><br>b) PT Clinic should consider retaining the DAR evidencing the review for 90 days.<br><br>c) PT Clinic should consider incorporating the charge reconciliation review against the clinical documentation as part of the quarterly audit checklist. | a) By August 31, 2015, PT Clinic will incorporate the charge reconciliation review against clinical documentation as part of the quarterly audit checklist.<br><br>b) Effective March 1, 2015, an APeX report was created to identify all instances of closed encounters without charges. PT Clinic has implemented a process to review this report on a monthly basis. No further action required. |

[6] Medicare Claims Processing Manual, chapter 5, section 10.3. Stipulates "Use of the KX modifier when there is no indication that the cap is likely to be exceeded is abusive use. For example, use of the KX modifier for low cost services early in an episode when there is no evidence of a previous episode that might have exceeded the cap is inappropriate."

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| | | | d) PT Clinic should consider performing a review of encounters that do not have any charges. | |

## C. Cash Handling

| No. | Observation | Risk/Effect | Recommendation | MCA |
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| 7 | ***Frequency of deposits did not meet the University requirements for cash controls.***<br><br>Based on the review of deposit history in 2014, we noted that deposits were not made weekly or whenever collections exceeded $500.[7] Additionally, as PT Clinic does not have a safe, each cash collector holds the cash receipts and supporting documents in their individual locker with a combination key until deposits are made.<br><br>University policy stipulates that collections at sub-cashiering stations and departments shall be deposited at least weekly or whenever collections exceed $500.[8] | Holding of cash receipts by cash collectors due to lack of timely deposits increases the risk of theft or cash loss. | a) PT Clinic should comply with University policy to deposit at least weekly or whenever collections exceed $500.<br><br>b) PT Clinic should consider installing a drop safe to securely store collected cash until deposits made. | a) Effective March 13, 2015, PT Clinic has been depositing at least weekly or whenever collections exceed $500. Audit & Advisory Services will validate this by May 31, 2015.<br><br>b) Effective March 18, 2015, PT Clinic obtained a drop safe. No further action required. |

[7] There were 35 deposits in 2014; therefore, the average number of days between deposits was ten days. Additionally, five deposits were over $1,000.
[8] UC BUS-49 Policy for "Cash and Cash Equivalents Received".

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| 8 | ***Periodic cash audits were not performed.***<br><br>There were no periodic cash audits performed by PT Clinic to ensure that cash handling activities are appropriate and comply with University policy.<br><br>Effective internal control practice requires verification and validation processes to be in place. | Errors and irregularities in cash handling may not be identified promptly. | PT Clinic should consider performing monthly cash audits. | Effective March 2015, PT Clinic implemented a process for monthly cash audits and completed the first audit. Audit & Advisory Services will follow-up in July 2015 to validate that the monthly cash audit process is in place. |

## ***APPENDIX A***

To conduct our review the following procedures were performed for the areas in scope:

- Interviewed PT personnel to gain an understanding of revenue capture processes, cash handling, and HIPAA training;
- Reviewed "cancelled" or "no show" appointments to evaluate whether it accurately reflected the status of the patient appointment;
- Assessed physical security and controls over cash and cash equivalents;
- Assessed processes for receiving and depositing cash and cash and accountability;
- Performed a surprise cash audit based on cash collected and APeX Cash Drawer report;
- Reviewed co-pay payments posted in APeX;
- Reviewed frequency and justifications documented for transactions voided by cash collectors in 2014;
- Assessed processes for the use of the KX Modifier and monitoring of Medicare annual cap;
- Reviewed records of background/fingerprinting verification for cash collectors and depositors;
- Reviewed processes for ensuring renewal of license status for physical therapists;
- Validated the license status from the Physical Therapy Board of California website;
- Assessed practices for HIPAA compliance with a limited scope; and,
- Performed walk-through of the inventory storage area and patient record disposal.