

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

**Self-Pay Billing Office (SBO) Audit
Project #15-037**

July 2015

University of California
San Francisco



Audit and Advisory Services

July 14, 2015

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SUBJECT: Hospital Billing – Self Pay Billing Office

As a planned audit for Fiscal Year 2015, Audit and Advisory Services (AAS) conducted a review of the Self-Pay Billing Office. The review covered the efficiency and effectiveness of key controls within the customer service and complaints, patient statement accuracy, collections and credit balance management processes. 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 June 2015. Management provided us with their final comments and responses to our observations in July 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,

A handwritten signature in black ink, appearing to read 'Irene McGlynn', with a horizontal line extending to the right.

Irene McGlynn
Director
UCSF Audit and Advisory Services

I. **BACKGROUND**

As a planned audit for fiscal year 2015, Audit and Advisory Services (AAS) conducted a review of the Self-Pay Billing Office (SBO). The review covered the efficiency and effectiveness of key controls within the customer service and complaints, patient statement accuracy, collections and credit balance management processes.

The UCSF SBO department is comprised of approximately 30 full time equivalents (FTE) and is responsible for resolving patient inquiries and complaints, performing limited follow-up on aged self-pay patient accounts, and performing write-offs and adjustments on self-pay accounts. The Credit Resolution Team, which reports to PFS, manages and resolves patient credit balances. SBO Customer Service Representatives (CSR) field patient inquiries and complaints, and where necessary, may request additional information from various departments to resolve a patient account. In March 2015, the SBO received over 8,000 calls and letters, of which 18% (1200) were classified as a complaint. SBO utilizes the APeX (Epic) Single Billing Office patient statement, which consolidates facility and physician patient liabilities into a single guarantor level account, allowing for a single patient statement and holistic self-pay follow up. In March 2015, the organization also went live with a new patient statement which shows activity and balances due for hospital and professional services where a patient liability has been incurred. Since the implementation of the new patient statement, patient complaints related to the accuracy of statement balances have dramatically decreased.

Third party collection agencies are utilized for the majority of follow-up on aged self-pay accounts, with only accounts greater than \$7,000 remaining in-house for 30 days. Credit balances on self-pay patient accounts, which may be a result of copayments and prepayments with missing or unprocessed charges or overpayments on self-pay balances, are managed by the Credit Resolution Team utilizing a credit balance work queue within Epic. As of May 2015, there were 567 accounts with self-pay credit balances totaling \$575,298. Management is working closely with the clinical departments and Accounts Payable to reduce this balance by processing refunds, where appropriate.

During the six months prior to the audit, multiple factors affecting normal workflow occurred in the SBO. The SBO Manager went out on medical leave, SBO went live with a new patient statement after 18 months of work to correct known errors, and two vendors responsible for bad debt collections (Cymetrix and NCO) were acquired and changed their scope of services to no longer include bad debt collections.

II. **AUDIT PURPOSE AND SCOPE**

The purpose of this review was to: 1) identify and determine effectiveness of key controls; 2) evaluate the efficiency and effectiveness of the in-scope SBO processes; 3) determine compliance with department policies and procedures and 4) validate patient complaints and self-pay accounts were appropriately monitored and resolved in a timely manner.

The scope of the review covered customer service and complaints, patient statement accuracy, collections for self-pay accounts and credit balances management. The scope period for testing was October 1, 2014 – May 31, 2015.

Procedures performed as part of the review included understanding and assessing current processes, identifying risks and evaluating related controls, and validating that controls over the SBO processes were effective in managing and resolving patient inquiries and accounts. 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. Further, this assessment represents the status of SBO processes effective as of the date of fieldwork; policy and procedure changes subsequent to the completion of this review may result in a different status than what is communicated in this report. Fieldwork was conducted in April and May 2015.

III. **CONCLUSION**

Based on the work performed, overall internal controls for the SBO processes reviewed appear to be in place and functioning appropriately. There is a focus by SBO on improving patient experience by resolving inquiries and complaints in a timely manner and providing accurate patient statements. Additionally, there is an increased focus by management to reduce the amount of credit balances related to self-pay patient accounts. Although, the controls around the SBO processes are in place, opportunities for improvement exist that would enhance the effectiveness and efficiency of SBO processes and mitigate related risks.

The specific observations from this review are listed below:

- Resolving Master Service Agreements (MSAs) with third party collection agencies which are expired or not formally executed;
- Performing independent quality reviews of third party collection agencies;
- Implementation of periodic monitoring of Customer Service Representative performance to ensure accounts are consistently and accurately categorized;
- Review and monitoring of outstanding Requests for Information (RFI) to ensure patient accounts are resolved timely;
- Monitoring of aged credit balances to ensure timely processing of refunds and write-offs; and
- Development and implementation of policies and procedures for key SBO processes.

Detailed information on these observations and associated management corrective are outlined in the attached table.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Collection Agencies

<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
<p>1. <i>Master Service Agreements (MSAs) with third party collection agencies were expired or not formally executed at the time of the review.</i></p> <p><u>Transworld Systems Inc. (TSI):</u></p> <ul style="list-style-type: none"> Since December 2014, TSI has performed collection services for accounts placed in bad debt. The TSI contract, including the HIPAA Business Associates Agreement (BAA) had not been executed as of the end of fieldwork (5/28/2015). Per discussion with Purchasing and PFS Management, the agreement should be completed and executed in June 2015. <p><u>NCO Financial Systems (NCO):</u></p> <ul style="list-style-type: none"> NCO performs “good debt” collection services for PFS. The NCO contract was expired as of 3/31/13 and no amendments have been made to extend the terms of the agreement. 	<p>Vendors operating on behalf of UCSF without executed legal agreements, including the HIPAA BAA, expose the organization to unnecessary risk.</p>	<p>a) SBO Management should:</p> <ol style="list-style-type: none"> execute the TSI Agreement, including the HIPAA BAA; execute an amendment to extend the NCO Agreement; and 	<p>a) By July 31, 2015, the TSI agreement will be executed, including the HIPAA BAA.</p> <p>b) By August 31, 2015, PFS management will work with Purchasing to execute an amendment to extend the NCO Agreement.</p>
<p>2. <i>SBO is not performing independent quality reviews of third party collection agencies.</i></p> <p>In 2013, a detailed review was conducted of third party collection agencies, including detailed account quality reviews to identify non-compliance with UCSF collection practices and opportunities for improvement. As a result of the review, quality review processes were</p>	<p>Lack of monitoring of vendor performance may result in unidentified issues related to inappropriate or insufficient collection efforts and customer</p>	<p>a) SBO Management should implement and execute a periodic quality review process for all early-out and bad debt vendors to ensure vendors are operating in accordance with the SOW. This process should be outlined in a formal vendor collections and customer service</p>	<p>a) By July 31, 2015, PFS Management will reinstate a periodic quality review for all early-out and bad debt vendors. This process will be outlined in a formal vendor collections and customer service policy.</p>

<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
<p>created and a Vendor Relations Liaison position was created.</p> <p>Currently, quality reviews for Cymetrix and NCO are performed by the vendor and results are reported to SBO management, however, an independent review by SBO management of third party collection agency procedures is not in place.</p> <p>Quality Reviews are performed by organizations to ensure outsourced vendors are performing the agreed upon services in accordance with the signed Master Services Agreement (MSA) or Statement of Work (SOW).</p>	<p>service.</p>	<p>policy.</p> <p>b) For TSI and NCO, SBO management should revise the SOWs to include a Quality Review performed by UCSF as noted in the Cymetrix Exhibit A: "UCSF Quality Reviews will be completed by Client's personnel on accounts outsourced to Cymetrix."</p>	<p>b) By August 31, 2015, PFS Management will work with TSI and NCO and Purchasing to revise the SOWs to include the condition that UCSF is to perform quality reviews over vendor performance for accounts outsourced to TSI and NCO.</p>

B. Credit Balances Management

<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
<p>1. Aged self-pay credit balances are not appropriately monitored to ensure timely processing of refunds and write-offs, when appropriate.</p> <p>Internal Audit performed an analysis of accounts with self-pay credit balances outstanding from October '14 and identified 171 accounts with credit balances that still exist as of May '15. These accounts make up 37% of the outstanding May '15 credit balances.</p> <p>Sample testing of 15 accounts with outstanding credit balances identified eight accounts which lacked appropriate levels of follow up as</p>	<p>Credit balances may not be refunded timely and completely.</p> <p>Untimely refunds may have a negative impact on the reputation of the organization.</p>	<p>b) PFS Management should formalize the process for self-pay credit balance management and refunds, including:</p> <p>c. Defining thresholds (aging and dollar value) for prioritization of credit balances to review and resolve; and</p> <p>d. To resolve self-pay credit balances on PB accounts when charges are missing or incorrect. PFS management should consider working with physician billing personnel to determine a</p>	<p>a) By January 2, 2016, PFS Management will formalize the process for self-pay credit balance management and refunds by defining thresholds (aging and dollar value) for prioritization of credit balances, as well as the process for resolving self-pay credit balances and issuing refunds on PB accounts where charges are incorrect or missing. This process will be</p>

<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
<p>indicated by account notes in APeX to appropriately resolve the credit balances (judgmentally determined to be 30 days).</p> <p>Additionally, sample testing of 15 refund payments on self-pay balances identified eight payments which were not refunded timely (judgmentally determined as 30 days from the event which created the credit balance). Prior to the refund, the eight credit balances were aged between 30 and 387 days.</p> <p>Based on discussions with SBO and Patient Financial Services (PFS) Management, the department has been working closely with clinical departments and Accounts Payable to process and issue refunds, where applicable, utilizing the credit balance work queue within APeX. However, credit balances in Professional Billing (PB) accounts may not be worked as charges are awaited to be posted</p> <p>Credit balances on self-pay patient accounts, for both Hospital Billing (HB) and PB, may be a result of copayments and prepayments with missing or unprocessed charges, or overpayments on self-pay balances. <i>The UC Accounting Manual H-576-60</i> states that "After it has been determined that there are no other patient accounts, the overpayment must be refunded promptly under established University disbursement procedures."</p>		<p>reasonable policy for refunding PB credit balances. For example:</p> <ul style="list-style-type: none"> i. credit balances with no charges after a specific period are refunded; and ii. appropriate authorization needed for refunded PB credits. <p>This process should be documented in a formal policy which includes the above thresholds and approval requirements for refunds.</p>	<p>formally documented in a credit balance management policy.</p> <p>b) Revenue Cycle Leadership in consultation with Clinical Departments will re-assess the time period for holding patient credit balances pending charge posting and develop guidelines. This will be completed by January 2, 2016.</p>

C. Customer Service/ Complaint Handling

<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
<p>1. <i>Outstanding Requests for Information (RFI) are not consistently addressed timely by the departments to resolve patient accounts.</i></p> <p>Sample testing of 10 patient inquiries / complaints, where an RFI was used to receive information from other departments, identified five which were not resolved by the respective department within 14 days of the request. Of the five complaints with RFIs that were not resolved timely:</p> <ul style="list-style-type: none"> • Two patient accounts were unresolved as of fieldwork (outstanding for 164 and 228 days); and • Three patient accounts were resolved by the respective department but were not resolved timely (outstanding for 150, 164, and 228 days). <p>RFIs are used to contact appropriate departments for further assistance in resolving a patient inquiry / complaint and are placed in the department's APeX work queue to resolve. As documented in the RFI Process – APeX Training guide (updated 3/26/2015), "if a department has not responded within 14 days, the Customer Service Representative (CSR) is to send an RFI email follow up to the department."</p>	<p>Unresolved customer service accounts due to outstanding RFIs may result in loss of revenue on the existing patient accounts balances due to write-offs or future services with the patient.</p> <p>Additionally, unresolved patient inquiries / complaints may also result in patient dissatisfaction.</p>	<p>a) PFS and SBO Management should work with Clinical Departments' management to implement appropriate monitoring processes for RFIs to identify and resolve outstanding RFIs in a timely manner. Management should consider the following in developing this process:</p> <ul style="list-style-type: none"> a. Defined responsibility and timeframes for follow up on outstanding RFIs; and b. Creation and utilization of a monthly report of accounts with aged RFIs in order to identify those which require escalation to clinical departments' management. 	<p>a) By August 31, 2015 , Revenue Cycle Leadership will incorporate as part of client service managers liaison with Clinical Departments the reporting of outstanding RFIs,</p> <p>b) By August 31, 2015, PFS Management will also evaluate options to create a monthly report of accounts with aged RFIs to identify those which require escalation to clinical departments' management.</p>

<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
<p>2. Patient account inquiries/complaints are inconsistently categorized by CSRs based on the identified needs of the patient.</p> <p>Sample testing of 40 patient inquires/complaints identified 10 inquiries which were inconsistently categorized as complaints based on notes documented within APeX. Of the 10 patient inquiry / complaints:</p> <ul style="list-style-type: none"> • Four cases categorized as “Balance dispute” appear to be more closely aligned with the category “Balance Inquiry” as the balance or charges on the statement were identified as accurate and the patient needed an explanation to understand their statement; and • Six cases categorized as “Balance dispute” should be categorized under “missing/incorrect insurance information” as the patient complaint was a result of insurance coverage which appeared to be incorrect or missing. 	<p>Inaccurate categorization of patient contact with the SBO may result in inappropriate handling of inquiries and accounts which are not resolved timely or completely.</p> <p>Additionally, it may result in unidentified issues and trends which would require complaint handling process changes.</p>	<p>a) Recognizing that there is an element of judgment involved in the categorization of complaints, SBO Management should continue to roll out training to all SBO CSRs on the appropriate categorization of patient inquiry/complaint note types.</p> <p>b) Management should implement a periodic review of CSR performance as it relates to handling customer service inquiries/complaints to ensure that the accounts are categorized appropriately, notes are documented in APeX, and are resolved timely. Details should be included in the monthly reports/metrics.</p>	<p>Effective July 31, 2015, a review of inquiry/complaint categorization is being implemented to identify the need for training to educate employees on categorizing patient inquiries/complaints and consistently utilizing predetermined note types to identify trends.</p>

D. Policies and Procedures

<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
<p>1. Policies and procedures are not formally documented for key SBO processes.</p> <p>Based on discussions and walkthroughs with PFS and SBO Management, it was noted that formal policy and procedures are not currently in place for the following process:</p>	<p>Lack of formal policies may lead to inconsistent application of processes and procedures; increasing risks of</p>	<p>a) Although desktop procedures and job aides exist for detailed “how-to” for some of the areas reviewed, SBO Management should document formal overarching policies for the following patient customer service and self-pay account processes:</p>	<p>a) By December 31, 2015, PFS management, will formally document overarching policies for patient inquiries and complaints, write offs and adjustments for self-pay</p>

<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
<ul style="list-style-type: none"> • Patient inquiry and complaint handling; • Write-offs and adjustments for self-pay balances; • Collections for self-pay balances; • Vendor collections and customer service policy (including monitoring of early-out and bad debt vendor performance); and • Processing refunds and management of credit balances for self-pay accounts. <p>Management indicated that due to recent changes in processes, such as implementation of the new patient statement, formal policies, procedures and job aids may not exist or are not reflective of the current process.</p>	<p>errors</p>	<ul style="list-style-type: none"> a. Patient inquiry and complaints (which may include specific guidelines for required documentation of account notes in APeX, note types, and RFI guidelines) - See observation and recommendation 4; b. Write-offs and adjustments for self-pay balances including delegated levels of authority for approvals and required documentation; c. In-house collections for self-pay balances including which accounts remain in house for follow-up, follow up process (required notes, use of work queues, follow up timeframes); d. Vendor collections and customer service policy - See observation and recommendation 1; and e. Refunds and credit management - See observation and recommendation 3. <p>Policies should be stored on the department shared drive and supported by procedures and job aids that are reflective of current practices. Employees should receive formal training on the updated policies and procedures.</p>	<p>balances, in-house collections for self-pay balances, vendor collections and customer service and refunds and credit management.</p> <p>b) By February 28, 2016, employees will receive training on any newly developed procedures and the policies and will be supported by relevant Apex desktop procedures and job-aids.</p>

APPENDIX A

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

- Reviewed the SBO policies and procedures related to in scope processes;
- Interviewed key SBO and PFS personnel and other applicable departments (i.e., Information Technology) within the organization responsible for in scope processes to understand the manual and automated system processes and controls;
- Assessed and documented the current customer service complaints, patient statement, collections and credit balance management processes and prepared a process map;
- Walked through each aspect of the customer service complaints, patient statement, collections and credit balance management processes to understand when and how each process is performed and documented;
- Identified risks that may occur during the process, identified and evaluated the design effectiveness of existing controls that mitigate these risks (control gaps);
- Tested key controls, based on a judgmentally selected sample, to validate the following:
 - Complaints are appropriately monitored and resolved timely and completely;
 - Collections of self-pay patient balances are accurate and appropriate, including following up on aged accounts;
 - Write offs and adjustments on self-pay patient balances are accurate and appropriately reviewed; and
 - Credit balances are monitored and refunds are processed timely and accurately, where appropriate.