**utmb** Health

# MEMORANDUM

**TO:**      Rex M. McCallum, MD
            Vice President & Chief Physician Executive, Faculty Group Practice

**FROM:**    Kimberly K. Hagara, CPA, CIA, CISA, CRMA
            Associate Vice President, Audit Services

**DATE:**    August 18, 2015

**SUBJECT:** Faculty Performance Work Relative Value Units Audit – Final Report
            Engagement Number 2015-037

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Attached is the final audit report regarding the Faculty Performance Work Relative Value Units audit.  This audit will be presented at the next Institutional Audit Committee meeting.

Additionally, please find attached Audit Services audit recommendation follow up policy.  Each of the recommendations is classified by type at the end of its identifying number: Significant (S), Risk Mitigation (R), or Process Improvement (P).  As you will note in the policy, the classification of the recommendation determines the frequency of our follow up.  All follow up results are reported quarterly to the Institutional Audit Committee.

Thank you for your cooperation and assistance during the course of this review.  If you have any questions or comments regarding the audit or the follow-up process, please feel free to contact me at (409) 747-3277.

c:      Danny O. Jacobs, MD
        Cheryl A. Sadro

# utmb Health

The University of Texas Medical Branch
Audit Services

Audit Report

Faculty Performance Work Relative Value Units Audit
Engagement Number 2015-037

August 2015

## Faculty Performance Work Relative Value Units Audit
## Engagement Number: 2015-037

### Background
In 1992, Medicare changed the way it pays for physicians' services and rather than basing payments on charges submitted, the federal government established a standardized physician payment schedule based on a resource-based relative value scale (RBRVS). In the RBRVS system, payments for services are determined by the resource costs needed to provide them. The cost of providing each service is divided into three components: physician work, practice expense, and professional liability insurance which together form a "relative value unit" or "RVU". The American Medical Association (AMA) assigns RVUs to the Current Procedural Terminology (CPT) codes used by the Centers for Medicare and Medicaid Services (CMS) and other payers to reimburse physicians for services performed. Annual updates to the physician work relative values are based on recommendations from a committee involving the AMA and national medical specialty societies.

The University of Texas Medical Branch (UTMB Health) Faculty Compensation and Incentive Plan, effective in fiscal year (FY) 2014, defines the components of eligible faculty members' annual salaries including the awarding of incentive pay for their contributions and performance. "Eligible Faculty Members" hold the rank of Assistant Professor, Associate Professor, or Professor in the School of Health Professions, School of Medicine, and/or School of Nursing; have a total Full Time Equivalent (FTE) of 0.5 or greater; and meet mission-specific FTE requirements. The plan allows for salary increases in recognition of increased duties, accomplishments, and notable performance, as well as for salary reductions as a result of diminished duties, accomplishments, or performance.

A key element of a clinical faculty's incentive compensation is based on the achievement of expected physician work Relative Value Units (wRVUs) compared with national benchmarks established for the physician's medical specialty. Failure to accurately and consistently capture and credit wRVUs impacts both compensation and the overall assessment of a physician's performance relative to the achievement of institutional objectives.

### Audit Objective, Scope of Work and Methodology
The primary audit objective is to assess the established processes for assigning and measuring work Relative Value Units (wRVUs). Additionally, we reviewed the correlation between wRVUs, producing Clinical Full Time Equivalent (cFTE) appointment and assigned clinical time. The audit scope focused on first quarter FY 2015 operations and data, and our methodology included a review of the Faculty Compensation plan, interviews with key personnel, data analysis, process review, and benchmarking.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* as promulgated by the Institute of Internal Auditors.

### Audit Results
### Mapping wRVUs in Epic
Annually, UTMB Health's Information Services Clinical Revenue-Billing Division downloads the National Physician Fee Schedule containing current CPT and RVU codes from the CMS website and uploads the information into "Epic", UTMB's electronic health information and revenue

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cycle software system. Interviews with key personnel indicated the process for uploading the data is not documented.

Audit Services tested 25 CPT codes used in first quarter FY15 Revenue Cycle billing data and mapped the codes and their respective wRVUs back to the National Physician Fee Schedule with no exceptions.

> **Recommendation 2015-037-01-R:**
> The Vice President and Chief Physician Executive, working with the Chief Information Officer and Vice President Revenue Cycle (Interim), should ensure the process for uploading the Physician Fee Schedule into Epic is documented.
>
> **Management's Response:** We agree with this recommendation and will work together to document the process, ensure that meets UTMB's needs, and implement this by 1/1/2016.
>
> **Implementation Date:** 1/1/2016

**Assigning wRVUs to Unlisted CPT Codes**
The AMA assigns wRVUs to more than 10,000 codes; however, a physician may perform a procedure or use new technology for which there is no applicable CPT code, and thus, no wRVU exists. In these situations, an "unlisted CPT code" is used for billing purposes. UTMB Health's Revenue Cycle Operations coders work with the physician to identify a comparable CPT code for which a wRVU has been assigned. Once a comparable CPT code is identified, Contract Administration staff confirms the comparability of the selection for further processing and submits an Information Services project request form to establish the CPT code within Epic. Interviews with Contract Administration personnel indicated this process in not formally documented and the request form is outdated. Additionally, the spreadsheet used for monitoring and tracking created codes has not been updated since October 2014.

Utilizing billing data for time period under review, Audit Services selected and tested 25 unlisted CPT codes and their assigned RVUs to determine if the process used for assignment of RVUs was consistent for similar procedures across multiple departments. No exceptions were noted.

> **Recommendation 2015-037-02-R:**
> The Vice President and Chief Physician Executive, working with the Vice President, Revenue Cycle (interim), should ensure the RVU and Unlisted Procedure Request document is appropriately updated to reflect the current practice and processes.
>
> **Management's Response:** We agree with this recommendation and will work together to update this process, document and communicate the updated process, and implement.
>
> **Implementation Date:** 3/1/2016.

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**wRVUs for Multiple Procedures**
When multiple procedures, other than evaluation/management (E/M) services, physical medicine and rehabilitation services or provision of supplies, are performed at the same encounter by the same individual, the primary procedure or service may be reported as listed. The additional procedure(s) or service(s) may be identified by appending a two-character suffix or "modifier" to the additional CPT code(s). Modifiers provide a way to indicate that the service or procedure has been altered by some specific circumstance, but has not been changed in definition or code. Modifiers are intended to communicate specific information about a certain service or procedure that is not already contained in the code definition itself.

Audit Services selected and tested 14 billed encounters that used modifier 51 and mapped the CPT codes and wRVUs to the National Physician Fee Schedule without exception. Additionally, we verified the appropriate use of modifier 51 through a review of the encounter documentation in Epic.

**Reporting and Monitoring wRVUs**
Audit Services interviews with key personnel indicate Revenue Cycle Operations, Contract Administration, and the Office of the Provost all provide levels of oversight and monitoring related to wRVUs. Revenue Cycle Operations focuses on coding accuracy, identifying and responding to training needs, and reviewing requests to add new CPT codes. Contract Administration reviews comparable codes selected by the coders for an unlisted procedure code to ensure appropriateness. The Office of the Provost utilizes billing data and associated RVUs residing in Epic to compile and report physician clinical productivity.

Each month, the Office of the Provost Office pulls billing data including CPT codes and wRVUs from Epic into its "MyPower" software application to compile and report physician productivity. While the controls in place to validate the accuracy and completeness of the extracted data appeared sufficient, the process is not documented to ensure consistency. Audit Services selected three physicians and tied their October 2014 credited wRVUs in MyPower with credited wRVUs reported in the Hyperion budget software system and the UTMB Clinical Productivity Report without exception.

MyPower functionality includes the ability for individual physicians as well as physician leadership to monitor clinical productivity and resulting compensation on an on-going basis. Additionally, physicians can perform trending and "what-if" scenarios by manipulating their compensation elements, including wRVUs. Based on Audit Services interviews with Office of the Provost personnel, this functionality is considered a leading practice.

> **Recommendation 2015-037-03-R:**
> The Vice President and Chief Physician Executive, working with the Associate Vice President, Academic Enterprise Operations, should ensure the process for pulling Epic billing data into MyPower and producing physician productivity reports is documented.
>
> **Management's Response:** We agree with this recommendation and will work together to ensure that the process for pulling billing data into MyPower and producing physician productivity reports is documented.

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**Implementation Date:** 1/1/2016

**Correlation Between wRVUs, Clinical Appointment and Assigned Clinical Time**
The new Faculty Compensation and Incentive Plan is based on several guiding principles including the need to positively correlate productivity with compensation. Using wRVUs as the metric for measuring clinical productivity, UTMB Health progressively rewards high performing faculty members.

Audit Services selected five physicians from different disciplines and obtained their respective appointment scheduling templates, departmental statistics, slot utilization reports, Revenue Cycle Operations billing data report for March 2015, and the Operating Room procedure and time utilization report for March 2015. Our analysis and mapping of the data illustrated the expected correlation between wRVUs, clinical appointment, and assigned clinical time.

**<u>Conclusion</u>**
Based on the audit work performed, it appears UTMB has established processes for assigning the assignment, measurement, and crediting of faculty Relative Value Units. Additionally, it appears the Office of the Provost provides sufficient monitoring and tracking oversight. Audit Services did identify opportunities for improvement related to the documentation of policies and procedures.

We greatly appreciate the assistance provided by Contract Administration, Provost Administration, and Revenue Cycle staff and hope that the information presented in our report is beneficial.


Kimberly K. Hagara, CPA, CIA, CISA,
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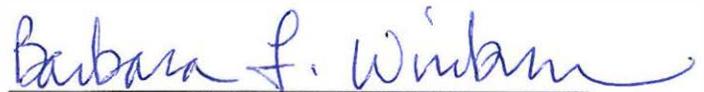
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