

# **UT Southwestern** Medical Center

## **The University of Texas Southwestern Medical Center Charity & Uncompensated Care Audit**

**Internal Audit Report 16:10**

**September 13, 2016**

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## **Executive Summary**

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### **Background**

In accordance with its mission to enhance the health of the community and the state of Texas, the University of Texas Southwestern Medical Center (UT Southwestern) provides care for the most vulnerable patients in the community, including patients with financial hardships. UT Southwestern provides financial assistance to Texas Residents who meet the eligibility requirements for the UT Southwestern Charity Care Program (Program); who have no other means to meet their financial obligations to UT Southwestern hospitals and physicians; and who have completed an application for assistance and have been approved by the screening process.

The Program encompasses three categories: Financial Indigent, Medical Indigent, and Catastrophic Medically Indigent. Program eligibility and financial assistance calculations for financial and medical indigent categories are tied to the Federal poverty guidelines (FPG) which are published annually. Verification of amounts reported as income include copies of recent pay stubs and filed tax returns. Eligibility and financial assistance level for Catastrophic Medical Indigent category is tied to patient's household income and the total amount of outstanding medical expenses. UT Southwestern also provides care to Parkland approved charity patients who do not have any form of coverage and UT Southwestern bills Parkland for those services.

The UT Southwestern Revenue Cycle Charity Care team consists of three employees including one supervisor, and two financial counselors. The team is responsible for processing UT Southwestern patients' application for the Charity Care Program (Program). Applications are received by the team from three sources: directly from patients; via email from UT Southwestern clinics; and referrals from the University Hospital's patient screening service (Eligibility Consultants Inc. or ECI) financial counselors. Charity care approved by Parkland Health & Hospital System / Children's Medical Center are sent directly to the Charity Care Team for processing. The team reviews applications and supporting documentation to ensure patients meet program eligibility requirements. Key financial information is entered into the EPIC system, which contains a module for calculating financial assistance. Manual determinations for financial assistance may also be performed by the team if the module cannot be used. The level of charity adjustment approved is applied in EPIC and is reflected in patient account billing. If a patient passes away, outstanding account balances for financial assistance greater than \$1,000 are referred to Office of General Counsel at UT System for claims against the patient's estate; balances less than \$1,000 are written-off.

### **Objectives and Scope**

This audit was risk based and scheduled as a part of our Fiscal Year 2016 Audit Plan. The audit focused primarily on the Charity Care process and specifically evaluation of the charity care determination process. The audit scope period was October 2015 through April 2016. Audit procedures included: interviews with the Charity Care team members, Hospital and Professional leaders, review of policies and procedures and other documentation; analysis and testing of charity care adjustments to patient accounts, review and analysis of hospital charity care work queues and patients accounts in pending Charity status.

## Executive Summary

The overall objectives of the audit were to assess the adequacy and effectiveness of internal controls over Revenue Cycle Charity Care operations at UT Southwestern. Specifically, to assess and provide reasonable assurance that the following objectives are in place regarding the Program:

- Accurate and timely assessment of patients' program eligibility and financial assistance eligibility
- Authorized, accurate, and timely charity care adjustments to patient accounts
- Effective oversight and monitoring

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

### Conclusion

Overall, the assessment of program eligibility, financial assistance eligibility, and processing of related adjustments are working as intended. However, effective January 1, 2016, consolidation of program applications for both professional services and hospital services has significantly raised workload requirements of the team. Management should actively monitor team activities and performance to ensure that necessary support is provided when needed, and issues are addressed in a timely manner.

The table below summarizes the observations and the respective disposition of these observations within the UT Southwestern internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (0)	Medium (1)	Low (1)	Total (2)
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There were no priority or high issues identified in the audit. Key improvement opportunity risk-ranked as medium is summarized below.

- **Implement Quality Assurance Review Process** – Currently only adjustments that are manually calculated outside of EPIC by financial counselors are subject to a supervisory review and approval. A quality assurance review is not in place for routine financial counselor activities.

Management has implemented or is in the process of implementing corrective action plans. Management responses are presented in the Detailed Observations and Action Plans Matrix section of this report.

## Executive Summary

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We would like to thank management and the charity care team for their assistance and cooperation during this review.

Sincerely,

Valla F. Wilson, Assistant Vice President for Internal Audit

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## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium</b> ●</p> <p><b>1. Implement Quality Assurance Review Process</b></p> <p>Currently, only adjustments that are manually calculated outside of EPIC by financial counselors are subject to a supervisory review and approval. A quality assurance review is not in place for routine financial counselor activities.</p> <p>Use of the EPIC system module to input key financial information and calculate the level of financial assistance has increased which increases the likelihood that human error in data entry of critical patient account information could lead to an incorrect eligibility determination of applicants. In addition, lack of periodic monitoring of financial counselor activities increases the likelihood that non-compliance with charity program requirements may go unnoticed or undetected.</p>	<p>Implement quality assurance review of charity and uncompensated care activities.</p>	<p><b><u>Management Action Plans:</u></b></p> <p>We will implement a quality assurance review and develop action plans to address any noted issues.</p> <p><b><u>Action Plan Owners:</u></b></p> <p>Manager, Patient Access Services</p> <p><b><u>Target Completion Dates:</u></b></p> <p>November 30, 2016</p>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response								
<p><b>Risk Rating: Low</b> ●</p> <p><b>2. Ensure Timely Resolution of Patient Charity Account Balances</b></p> <p>As of July 2016, 23% (\$353K) of Charity balances were more than 120 days old, primarily due to other sources of pending reimbursement. In total, 424 patients who received professional services from September 1, 2015, through June 30, 2016, had outstanding balances.</p> <p>Patient accounts can have outstanding (open) balances mostly due to requests for additional information in order to finalize financial determination that had not yet been received for Medicaid or SSI, and sometimes because of changes in the guarantor status for the account (patient's estate, another insurance, etc.).</p> <p>The table below shows outstanding professional services patient account balances for noted aging periods:</p> <table border="1" data-bbox="144 922 837 1110"> <thead> <tr> <th>Invoice Creation Date</th> <th>Charity Financial Class Balance - July 28, 2016</th> </tr> </thead> <tbody> <tr> <td>Greater than 120 days</td> <td>\$352,647.72</td> </tr> <tr> <td>Less than 120 days</td> <td>\$1,200,518.23</td> </tr> <tr> <td><b>Grand Total</b></td> <td><b>\$1,553,165.95</b></td> </tr> </tbody> </table> <p>Patient accounts remaining in pending charity status for more than 120 days will adversely impact the institution's ability to collect the outstanding balance.</p>	Invoice Creation Date	Charity Financial Class Balance - July 28, 2016	Greater than 120 days	\$352,647.72	Less than 120 days	\$1,200,518.23	<b>Grand Total</b>	<b>\$1,553,165.95</b>	<ol style="list-style-type: none"> <li>1. Resolve and clear patient Charity accounts in a timely manner.</li> <li>2. Develop monthly management reports to monitor the status of financial assistance applications and outstanding account balances.</li> </ol>	<p><b><u>Management Action Plans:</u></b></p> <ol style="list-style-type: none"> <li>1. Review and resolve patient accounts remaining in the Charity financial class for more than 120 days.</li> <li>2. Work with Information Resources to develop key monitoring reports of outstanding account balances.</li> </ol> <p><b><u>Action Plan Owners:</u></b> Manager, Revenue Cycle Demographics</p> <p><b><u>Target Completion Dates:</u></b></p> <ol style="list-style-type: none"> <li>1. December 2016</li> <li>2. February 2017</li> </ol>
Invoice Creation Date	Charity Financial Class Balance - July 28, 2016									
Greater than 120 days	\$352,647.72									
Less than 120 days	\$1,200,518.23									
<b>Grand Total</b>	<b>\$1,553,165.95</b>									

## Appendix A: Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

<b>Risk Definition - The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.</b>	Degree of Risk and Priority of Action	
	<b>Priority</b>	An issue identified by internal audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	<b>High</b>	A finding identified by internal audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	<b>Medium</b>	A finding identified by internal audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level. As such, action is needed by management in order to address the noted concern and reduce risk to a more desirable level.
	<b>Low</b>	A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the preceding pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions.

It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.