AUDIT DEPARTMENT

Audit Report

University Medical Center
Upfront Collections
Follow Up Audit

October 2013

Angela M. Darragh, CPA, CISA, CFE
Audit Director

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Angela M. Darragh, CPA, CFE, CISA, Director

October 30, 2013

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway,6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

Pursuant to Audit Department policy, we performed a follow-up audit of the Upfront Collections audit dated June 14, 2012. We obtained supporting documentation and performed detail testing to assess the adequacy of the corrective actions taken. Our last day of fieldwork was May 23, 2013.

University Medical Center continues to face challenges with upfront collections. UMC has implemented cash drawers at the Emergency Room desk and the Adult & PEDs Ortho Clinic facilities; however, the issue of collecting deposits from self-pay patients still persists.

The auditor's role in follow-up engagements is to compile corrective actions taken from effected Department/Division management, assess whether these responses are adequate or not adequate to correct reported deficiencies, and relay to management. It is the Department/Division management's responsibility to decide if any appropriate action should be taken in response to reported audit findings. It is also their responsibility to assume the risk by not correcting a reported condition because of cost or other consideration.

We conducted the performance audit in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sincerely,

Angela M. Darragh

Angela M. Darragh, CPA
Audit Director

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BACKGROUND

University Medical Center is the only County hospital in Clark County. For the fiscal year ending in 2012 and 2011, the hospital incurred a loss from operations of $18.9 million and $94.5 million respectively. The hospital's level of uncompensated and charity care continues to reflect the hospital's status as a safety net facility in the County. Medicaid, Clark County, and self-pay patients accounted for 57% of the patient payer base. Additionally, the same customer base contributed to a significant concentration of accounts receivable, 76% for the fiscal years ending in both 2012 and 2011. Due to the large percentage of Medicaid, Clark County, and self-pay patients, upfront collections is an important factor in revenue generation.

Clark County Internal Audit performed an audit of *Upfront Collections*, dated June 14, 2012, for the period July 1, 2010, through June 30, 2011. The objectives of the audit were as follows:

> *To determine the effectiveness of collecting payment upfront for non-emergent procedures prior to service. Additionally, to evaluate the financial effect of providing scheduled procedures and not receiving payment for services.*

The results of the original audit identified several areas that needed corrective action:

- A down payment or pay source was not required at time of non-emergent service due to a lack of a deposit policy and a lack of a clear determined level of urgent care at the point of service.
- Outpatient pharmacy self-pay patients were not paying for prescriptions.
- There was no discharge desk in the emergency room.
- Patient registration was not accurate
- The registration process was not streamlined

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit is to determine whether corrective action was taken on the findings included in the *University Medical Center Upfront Collections* audit report dated June 14, 2012.

Our procedures consisted of reviewing the original audit report and supporting documents, interviews with management and staff, observations, walkthroughs, examination of documentation, and performance of detailed tests and analyses. To perform detail

testing, we selected the period of January 2013. Additionally, to ensure collection rates were comparable, the same departments from the original audit were selected for testing: Ambulatory Surgery, Outpatient Burn Care Therapy, Hyperbaric Therapy Center, Outpatient Lab, Lied Outpatient Radiology Referrals, Ortho Clinic – Adult, Pulmonary Function Lab, Physical Therapy Services, Outpatient Radiology, Outpatient Pharmacy, and Outpatient Wound Therapy departments were analyzed. We reviewed a total of 376 patient accounts from the aforementioned departments for the month of January 2013. We ensured that funds were collected that resulted from financial arrangements. Also, we obtained the status of an update to the policy which addressed the deferral of non-emergent care and obtained the deposit policy.

In order to confirm placement of new signage, we observed the signage in the pharmacy registration area that stated "Payment is required at the time services are rendered." Additionally, we tested 173 self-pay pharmacy patient accounts, of $30 and below and analyzed the collection rate.

An observation of the discharge desk in the emergency room was performed to ensure that it was implemented and utilized. Additionally, we tested the collection rate of 25 Emergency Room self-pay patients, judgmentally sampled from 373 total patients.

We performed testing to ensure that Admission representatives documented the request for payment. We judgmentally selected 25 self-pay patient accounts and reviewed the notes within the system for documentation of the request for payment.

In order to verify that a cash drawer was implemented at the Adult & PEDs Ortho Clinic and the Rancho Outpatient Physical Therapy facilities, we conducted observations on April 29, 2013. Additionally, we tested the period of January 2013, to determine the effectiveness of collecting self-pay deposits at the aforementioned facilities.

Fieldwork began April 22, 2013, and concluded May 23, 2013.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate

evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS IN BRIEF

University Medical Center continues to face challenges with upfront collections. UMC has implemented cash drawers at the Emergency Room desk and the Adult & PEDs Ortho Clinic facilities; however, the issue of collecting deposits from self-pay patients persists.

DETAILED RESULTS

Down Payment or Pay Source Not Required at time of non-Emergent Service

The original audit identified that Patient Access Service (PAS) Staff did not require down payment or pay source prior to admitting a patient for non-emergent service. There was no policy and procedure that specifically addressed when a patient procedure could be safely deferred until a payment or pay arrangements were made, or financial assistance obtained.

During our follow up testing, we found that for January 2013, the collection rate was 2.01% for 376 self-pay patient accounts. Additionally, there is still no implemented policy and procedure addressing payment upfront for non-emergent services.

Recommendation

1. Develop and implement a policy and procedure detailing upfront collections for non-emergent conditions.

Outpatient Pharmacy Self Pay Patients Who Do Not Pay for Prescriptions

The original audit found that self-pay patients were not paying for prescriptions prior to receipt and were never billed for the prescriptions they received. Many of these prescriptions were for medications costing less than $30.

During our follow up testing of 173 self-pay pharmacy patients January 2013 we found a 0% collection rate.

Recommendation

1. Require self-pay patients to pay for prescriptions totaling $30 or less at time of pick-up.

No Discharge Desk in the ER

During the initial audit, there was not a discharge desk in the ER. As a result, patients could walk out of the ER before the Admission Representatives had an opportunity to collect patient payments of insurance copayments or charges for services.

Although a cash drawer was added to the Emergency Desk in March 2012, the lack of collecting from self-pay patients persists. Based on our follow-up testing of Emergency Room self-pay patients during January 2013, there was no documentation that payment was requested for 18 out of 25 records.

Recommendation

1. Monitor discharge desk personnel and ensure they are routinely requesting payment for services provided.

Patient Registration Accuracy Can Be Improved

During the original audit, we found patients presenting at UMC for outpatient procedures without being originally seen in the UMC system. Many of these patients said they were unable to pay, did not pay, or we were unable to determine whether the Admission Representative asked for payment due to lack of notes in the record.

Although training with staff was conducted on updated policies and procedures, the issue of requesting payment and documenting collection efforts remains. Based on our follow up testing, the request for payment was not documented in the system for 7 out of 25 (or 28%) self-pay patient accounts.

Recommendation

1. Monitor staff adherence to policies and procedures regarding request for payment.
2. Provide additional training and education to staff on policies and procedures as needed to ensure compliance.

APPENDICES
Appendix A: Management Response Letter

INTEROFFICE MEMORANDUM

TO: ANGELA DARRAGH, DIRECTOR, CLARK COUNTY, AUDIT DEPARTMENT
FROM: VIRGINIA CARR, DIRECTOR, REVENUE CYCLE, UMC
SUBJECT: MANAGEMENT RESPONSE TO UPFRONT COLLECTIONS FOLLOW UP AUDIT
DATE: SEPTEMBER 13, 2013

We respectfully offer the following in response to the Clark County Audit Department's upfront collections Follow-Up audit dated 6/27, 2013.

Initial finding: Down payment or payment source not required at time of non-emergent service. Recommendation was the determination of whether to defer non-emergent care until financial assistance or reasonable pay arrangements are completed. Additionally there was a recommendation for clinical support to assist in the determination of non-emergent services.

> Corrective action status: Collection rates identified at 2.1%, additionally, there is still no implemented policy and procedure addressing payment upfront for non-emergent services

Concur: In evaluating the collection percentage the audit uses total charges to total collections which are not reflective of hospital operations and standard healthcare methodology for determining net revenue targets. Contractual adjustments offered to self pay patients were not factors in this calculation.

A policy for access to non-emergent services has been revised to encompass the Affordable Care Act opportunities for patients to access health benefits and is currently in administrative review with an anticipated implementation of 1/1/2014. Included in the policy revision is the addition of 2 admitting nurses to assist in determination of non-emergent services.

Initial Finding: Outpatient Pharmacy Self pay patients who do not pay for Prescriptions

> Corrective action status: Proper signage is in place in the Pharmacy area, however, 0% collection rate during testing for the month of January 2013, indicating that Pharmacy staff is not making reasonable efforts to collect.

Concur: Pharmacy Leadership is in the process of defining the role of the OP Pharmacy Tech/Pharmacist. The techs are now required to ask each patient how they will be paying for their prescriptions. In cases that medications are provided for the continuity of care statements of patient responsibility need to be produced and mailed. The software vendor for the OP Pharmacy product is in development of a patient statement anticipated testing/implementation date is Nov 30, 2013.

Initial Finding: No Discharge Desk in the ER and Patient registration accuracy can be improved

> Corrective action status: Although a cash drawer was added to the Emergency Desk in March 2012, the lack of collecting from self-pay patients persists. Based on our follow up

testing of Emergency room self pay patients during January 2013, there was no documentation that payment was requested for 18 out of 25 records.

Corrective action status: Although training with staff was conducted on updated policies and procedures, the issue of requesting payment and documenting collection efforts remains. Based upon our follow up testing the request for payments was not documented in the system for 7 out of 25 (28%) self pay patient accounts.

Concur: Audit processes have been put into place for account review and note audits. All Admitting representatives have been re-educated regarding collections and documenting account notes. Clinical managers continue to encourage nursing to ensure that patients are brought to the established discharge desk in order for admitting to have the opportunity to collect once the MSE has been completed.

We would like to thank the Clark County Audit Department for identifying these areas of potential loss exposure and providing recommendations for continued improvement.

UNIVERSITY MEDICAL CENTER

Upfront Collections Follow-Up Audit

Findings, Recommendations, and Corrective Actions Status

As of June 27, 2013

AUDIT DEPARTMENT

Angela M. Darragh, CPA, CFE, CISA

Audit Director

Original Report Issuance Date: June 14, 2012

Summary Audit Findings & Recommendations				Summary Management Disposition	Status		
Ref	**Finding**	**Recommendation(s)**	**Concurrence**	**Corrective Actions Status**	**Implemented**	**Not Implemented**	**Other**
1	**Down Payment or Pay Source Not Required at Time of Non-Emergent Service**						
	The original audit identified that Patient Access Service (PAS) Staff did not require down payment or pay source prior to admitting a patient for non emergent service. There was no policy and procedure that specifically addressed when a patient procedure could be safely deferred for patients without insurance until a payment or pay arrangements were made, or financial assistance obtained. Furthermore, PAS staff accepted verbal assurance from patients that they would provide payment or obtain assistance on a future visit.	Decide whether to defer non-emergent care until financial assistance is obtained or reasonable pay arrangements can be made by the patient. If a policy is then developed for this purpose, specific direction is needed regarding which hospital clinician can make the decision to defer non-emergent service until the patient's financial obligation can be adequately met. Develop literature explaining to patients that they have a responsibility to pay for their medical services and the other options available to them prior to receiving non-emergent care.	Y	We found that for January 2013, the collection rate was 2.01% for 376 self-pay patient accounts. Additionally, there is still no implemented policy and procedure addressing payment upfront for non emergent services.		✓	

Summary Audit Findings & Recommendations			Summary Management Disposition		Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Actions Status	Implemented	Not Implemented	Other
2	**Outpatient Pharmacy Self Pay Patients Who Do Not Pay for Prescriptions**						
	The original audit found that self pay patients were not paying for prescriptions prior to receipt and were never billed for the prescriptions they received. Many of these prescriptions were for medications costing less than $30.	Obtain an official determination on filling prescriptions under the EMTALA umbrella from the DA's Office. Require that self pay patients be required to pay at time of pick-up for prescriptions totaling $30 or less. Place signage in the Pharmacy area that notifies patients that payment is expected at time of service. In the event the needed prescription is a high dollar drug, special arrangements can be made if the patient cannot pay or qualify for financial assistance.	Y	We observed proper signage recommended during the original audit was placed in the Pharmacy area. However, we found a 0% collection rate during our testing of 173 self-pay pharmacy patients for the month of January 2013, indicating that Pharmacy staff is not making a reasonable effort to collect.		✓	

Summary Audit Findings & Recommendations			Summary Management Disposition		Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Actions Status	Implemented	Not Implemented	Other
3	No Discharge Desk in the ER						
	During the initial audit, there was not a discharge desk in the ER. As a result, patients could walk out of the ER before the Admission Representatives had an opportunity to collect patient payments of insurance copayments or charges for services.	Re-establish a discharge desk. Develop a procedure for the patient to be accompanied to the discharge desk after discharge. Provide literature on patient responsibility to pay for non-emergent medical procedures, and where the patient can obtain financial assistance or the Clark County resident discount.	Y	Although a cash drawer was added to the Emergency Desk in March 2012, the lack of collecting from self-pay patients persists. Based on our follow-up testing of Emergency Room self-pay patients during January 2013, there was no documentation that payment was requested for 18 out of 25 records.		✓	

Summary Audit Findings & Recommendations			Summary Management Disposition		Status		
Ref	Finding	Recommendation(s)	Concurrence	Corrective Actions Status	Implemented	Not Implemented	Other
4	**Patient Registration Accuracy Can Be Improved**						
	During the original audit, we found patients presenting at UMC for outpatient procedures without being originally seen in the UMC system. Many of these patients said they were unable to pay, did not pay, or we were unable to determine whether the Admission Representative asked for payment due to lack of notes in the record.	Require staff to follow the current Patient Access Policy, I-24. The last time the policy was reviewed was September 2008, so it may need to be updated. Provide additional training and education to the PAS staff to assure the needed patient information is captured at registration, patient notations are documented in the account, and staff know how to handle non-payment for scheduled non-emergent procedures.	Y	Although training with staff was conducted on updated policies and procedures, the issue of requesting payment and documenting collection efforts remains. Based on our follow up testing, the request for payment was not documented in the system for 7 out of 25 (or 28%) self-pay patient accounts.		✓	
5	**Registration Process Can Be Streamlined**						
	The original audit identified two areas within the registration process that could be improved or streamlined. Self-pay patients requiring outpatient Physical Therapy were required to go to the hospital's facility on Rancho Blvd. to make payments and patients of the Orthopedic Clinic were told to go to the Cashier located in the main Admitting area to make payments. We believed making it easier for patients at these locations to make payments could increase collections.	Consider taking patient payments at these two locations to streamline the process for the patient.	Y	While a cash drawer was implemented in the Adult & PEDs Ortho Clinic, a cash drawer was not implemented at the Rancho Outpatient Physical Therapy facility. However, there were only 4 self-pay patients during the period tested, which presented an acceptable level of risk.	✓		