

# **UT Southwestern** Medical Center

**The University of Texas Southwestern Medical Center  
Accounts Receivable Billing Edits - MSRDP**

**Internal Audit Report 15:05A**

**July 7, 2015**

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# Executive Summary

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## Background

The Centers for Medicare & Medicaid Services (CMS) developed the National Correct Coding Initiative (NCCI), with the purpose of promoting consistent use of coding methodologies and controlling improper coding leading to payment errors. To comply with the coding initiatives, many physician billing systems have been programmed with billing edits based on CMS and other payor-specific rules. The billing edits automate the necessary billing and coding checks to prevent payor denials which could delay receipt of payment. If a billing edit determines that a claim requires manual intervention, the billing edit will route the claim to the appropriate workqueue in the Epic system for review. Workqueue categories include: charge review, claim edit, follow-up, adjustment review, and account.

The University of Texas Southwestern Medical Center (UT Southwestern) utilizes the Epic Resolute Professional Billing module to facilitate the billing process within the revenue cycle. The Epic Resolute module specifically aids in reducing accounts receivable (AR) aging and claim error submissions to payors.

## Scope and Objectives

The UT Southwestern Office of Internal Audit has completed the Accounts Receivable Billing Edits - MSRDP audit. This was a risk based audit and part of the fiscal year 2015 Audit Plan.

The audit scope period included billing edit and workqueue activities from February 2014 through April 2015. The review included professional claims prior to the initial bill; specifically, billing edits within the 1,554 active charge review and claim edit workqueues. Audit procedures included interviews with stakeholders, review of policies and procedures, sample testing, and data analytics.

The primary objective of the review was to evaluate the effectiveness of processes and controls for managing billing edits and data transmission prior to initial bill to determine whether:

- Patient accounts are routed to the appropriate work queue.
- Patient accounts in work queues are processed appropriately and timely.
- Billing edit overrides are appropriate and valid.
- Security access to billing edit overrides is limited to appropriate staff based on job roles.
- Business process improvement initiatives occur as a result of monitoring and trending.

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

## Executive Summary

### Conclusion

Overall, processes and controls related to billing edit operations were in place and operating effectively. Specific strengths identified during the audit include:

- Monitoring and trending reports and regular meetings for professional billing
- Routing of professional billing edits

Included in the table below is a summary of the observations noted, along with 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.

High (0)	Medium/High (0)	Medium (3)	Low (0)	Total (3)
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There were no significant (high risk) issues identified. The key improvement opportunities risk-ranked as medium are summarized below:

- **Limit and Monitor Override Access:** Billing edit overrides are not always appropriate based on the business need, which could lead to delayed or denied payments from payors due to incorrect billing. Furthermore, override access is not properly restricted and management monitoring of overrides could be improved.
- **Improve Timeliness of Billing Edits:** Professional billing edits were not processed timely, in accordance with management expectations. There is decentralized management of certain workqueues without documented policies and procedures.
- **Improve Maintenance of Workqueue Inventory Lists:** Workqueue attribute fields are not consistently updated or maintained within Epic.

Management has plans to address the issues identified in the report and in some cases have already implemented corrective actions. These responses, along with additional details for the key improvement opportunities listed above are listed in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

We would like to thank the departments and individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,



Valla F. Wilson, Assistant Vice President for Internal Audit

## **Executive Summary**

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**Audit Team:**

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**Detailed Observations and Action Plans Matrix**

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium</b></p> <p><b>1. Limit and Monitor Override Access</b></p> <p>Controls pertaining to the billing edit override function need to be improved. A billing edit override will move a bill forward in the process without further review or update action on the billing edit. Use of the billing edit override should be limited and performed only by individuals with proper authority. While less than 1% of line-level billing edits were overridden for professional billing, analysis and sample testing revealed the following:</p> <ul style="list-style-type: none"> <li>• Billing edit overrides were sometimes performed by individuals who did not have the authority to perform overrides (i.e. not a supervisor). Override system access in Epic is provided to all users with access to professional billing workqueues, and not assigned based on an individual's management position or job function. Based on analytic and sample testing, the following percentage of overrides were performed without proper authority: <ul style="list-style-type: none"> <li>○ 12% of professional claim edits</li> <li>○ 16% of professional charge edits</li> </ul> </li> <li>• Sample testing identified 35 out of 145 professional claim edit overrides that were not appropriate based on the business need. Unaddressed billing edits due to inappropriate override could result in delayed or denied payments from payors due to incorrect billing.</li> <li>• The override comment field is not consistently used, which could hinder effective monitoring of overrides by management.</li> </ul>	<ol style="list-style-type: none"> <li>1. Develop centralized policies and procedures for the governance, maintenance, timeliness, and overrides of billing edits and workqueues. Ensure that training on policies takes place as appropriate.</li> <li>2. Consult with Information Resources to identify options for restricting claim edit override access and charge review override access by individual users, or user roles.</li> <li>3. Follow up with Information Resources to eliminate the programming issues that are causing the need for unnecessary overrides.</li> <li>4. Consult with Information Resources for developing reports to monitor override usage by user.</li> </ol>	<p><b><u>Management Action Plan:</u></b></p> <p>Management agrees with the recommendations and will take the following actions.</p> <ol style="list-style-type: none"> <li>1. The Associate Vice President Revenue Cycle Operation will assemble a work team comprised of individuals from MSRDP Billing Operations and Information Resources.</li> <li>2. The assembled members of the work team will implement each of the recommendations specific to Information Resources.</li> <li>3. Centralized policies and procedures will be developed and finalized.</li> </ol> <p><b><u>Action Plan Owner(s):</u></b></p> <p>Associate Vice President Revenue Cycle Operations</p> <p><b><u>Target Completion Date(s):</u></b></p> <ol style="list-style-type: none"> <li>1. August 1, 2015</li> <li>2. October 1, 2015</li> <li>3. December 1, 2015</li> </ol>

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<ul style="list-style-type: none"> <li>• Fifty three percent (53%) of the all professional claim edit overrides did not have comments, and none of the charge review overrides contained comments.</li> <li>• For three types of billing edits, actions to address the edits did not clear the edits in the system. Over 56,000 overrides of these edits were performed to move the bill forward. IR has corrected this issue for one type of edit, but corrections are pending for the other two edit types.</li> </ul> <p>Factors contributing to the issues noted above included:</p> <ul style="list-style-type: none"> <li>• Decentralized management of certain workqueues without documented policies and procedures.</li> <li>• Limited management monitoring of overrides.</li> <li>• Lack of consistent training for individuals processing billing edits.</li> </ul>		

## Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium</b></p> <p><b>2. Improve Timeliness of Billing Edits</b></p> <p>Professional billing edits were not processed timely, in accordance with management expectations. As charges and claims age in workqueues, the chance of payors denying claims for timely filing increases.</p> <p>Management has set a 6 day expectation to process professional billing edits. At the time of fieldwork, the status of pending claims were as follows:</p> <ul style="list-style-type: none"> <li>47% of all claim edit workqueue dollars were pending more than 6 days.</li> <li>33% of all charge review workqueues dollars were pending more than 6 days.</li> </ul> <p>While there were certain work queues which may require additional time for various business reasons, these are not identified.</p> <p>There is decentralized management of certain work queues. Responsible personnel in the decentralized areas may not be aware of the timeliness standards for billing edits because common policies and procedures have not been developed.</p>	<ol style="list-style-type: none"> <li>Develop centralized policies and procedures for the governance, maintenance, timeliness, and overrides of billing edits and workqueues.</li> <li>Roll out dashboard monitoring reports to the billing managers of the decentralized departments</li> <li>Engage representatives from the decentralized departments in the monitoring and trending meetings performed by the professional billing department.</li> </ol>	<p><b><u>Management Action Plan:</u></b></p> <ol style="list-style-type: none"> <li>Centralized policies and procedures will be developed and finalized.</li> <li>Dashboard monitoring reports will be finalized for distribution to decentralized department billing managers.</li> <li>As dashboard monitoring reports are made available, department billing managers will be engaged to participate in regular monitoring and trending meetings.</li> </ol> <p><b><u>Action Plan Owner(s):</u></b></p> <p>Associate Vice President Revenue Cycle Operations</p> <p><b><u>Target Completion Date(s):</u></b></p> <ol style="list-style-type: none"> <li>December 1, 2015</li> <li>December 1, 2015</li> <li>December 1, 2015</li> </ol>



**Detailed Observations and Action Plans Matrix**

Observation	Recommendation	Management Response
<p><b>Risk Rating: Medium</b></p> <p><b>3. Improve Maintenance of Workqueue Inventory Lists</b></p> <p>Workqueue attribute fields are not consistently updated or maintained within Epic. Fields are available within Epic that, if updated, will assist with identifying accountability and ownership within workqueues, understanding the purpose of the workqueues, and identifying any outdated workqueues.</p> <p>Analysis revealed out of the 1554 professional billing claim edit and charge review workqueues:</p> <ul style="list-style-type: none"> <li>67% had blank owning supervisor fields</li> <li>38% had blank owning area fields</li> </ul>	<ol style="list-style-type: none"> <li>Develop centralized policies and procedures for the governance, maintenance, timeliness, and overrides of billing edits and workqueues.</li> <li>Update current workqueue attribute fields with complete information.</li> </ol>	<p><b><u>Management Action Plan:</u></b></p> <ol style="list-style-type: none"> <li>Centralized policies and procedures will be developed and finalized.</li> <li>Workqueue attribute fields are in the process of being updated and will be completed as part of the development of department level dashboard monitoring reports.</li> </ol> <p><b><u>Action Plan Owner(s):</u></b></p> <p>Associate Vice President Revenue Cycle Operations</p> <p><b><u>Target Completion Date(s):</u></b></p> <ol style="list-style-type: none"> <li>December 1, 2015</li> <li>July 31, 2015</li> </ol>

## 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>	<b>Degree of Risk and Priority of Action</b>	
	<b>High</b>	The degree of risk is unacceptable and either does or could pose a significant level of exposure to the organization. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	<b>Medium/High</b>	The degree of risk is substantially undesirable and either does or could pose a moderate to significant level of exposure to the organization. As such, prompt action by management is essential in order to address the noted concern and reduce risks to the organization.
	<b>Medium</b>	The degree of risk is undesirable and either does or could pose a moderate level of exposure to the organization. As such, action is needed by management in order to address the noted concern and reduce risks to a more desirable level.
	<b>Low</b>	The degree of risk appears reasonable; however, opportunities exist to further reduce risks through improvement of existing policies, procedures, and/or operations. 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 subsequent 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