

UT Southwestern Medical Center

The University of Texas Southwestern Medical Center Revenue Cycle: Cash Posting Audit

Internal Audit Report 16:08

August 16, 2016

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Executive Summary

Background

The University of Texas Southwestern Medical Center (UT Southwestern) Revenue Cycle Cash Posting team consists of 31 employees including supervisors, reconciliations specialist, accounting specialist, and payment specialists focused on payment posting. The team is responsible for posting insurance and self-pay payments to Medical Center patient accounts within the EPIC system, reconciling daily cash receipts and researching and resolving amounts posted to suspense accounts.

Payments from payors and patients for patient accounts are sent in to UT Southwestern lockboxes. The payments are automatically deposited in the bank account and supporting documents are forwarded to the Cash Posting team for posting into the EPIC system. The supporting documents are separated into batches, scanned into EPIC and used to post to the appropriate patient accounts.

For billed hospital accounts, work queues are used to track two items: the status of posting for each lockbox batch; as well as any payment posting discrepancies where the electronic payments do not match the payor/plan contract or patient cannot be located within EPIC.

For Ambulatory Professional accounts, work queues are not used to track batches ready for posting, rather manual tracking is used to monitor posting status. Work queues are used to capture any undistributed payments that could not be matched to a patient account.

Cash posting work queue balances for both hospital and professional accounts total approximately \$7.8M. Appendix B provides a summary of these balances.

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 Revenue Cycle Cash Posting department and specifically the payment posting process. The audit scope period was October 2015 through April 2016. Audit procedures included: interviews with the Revenue Cycle Cash Posting team members, review of policies and procedures and other documentation; analysis and testing of patient posting and adjustments to patient accounts, review and analysis of revenue cycle work queues and suspense accounts.

The primary objectives of the audit were to assess the adequacy and effectiveness of controls over the payment posting processes, including EPIC system controls. Specifically, to assess and provide reasonable assurance that the following objectives are in place:

- Timely and accurate posting of patient account collections
- Authorized and accurate adjustments to patient accounts for suspense account activity
- Effective oversight and monitoring

Executive Summary

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

Oversight and monitoring of suspense account postings and unposted cash discrepancies can be enhanced to ensure patient accounts are properly reported. Specifically, suspense and discrepancy items should be reviewed and resolved in a timely manner. Management has assigned dedicated staff to work these accounts and has developed metrics for monitoring. Additionally, monthly cash collections are received via lockbox and manually posted to patient accounts. Automating the receipt of images and evaluating the automation of posting of these amounts will help to reduce discrepancies as well as increase resources available to review suspense account postings and unposted cash discrepancies.

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 (2)	Medium (2)	Low (0)	Total (4)
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There were no priority issues identified in the audit. Key improvement opportunities risk-ranked as high and medium are summarized below.

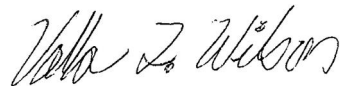
- **Implement Review and Reconciliation of the Suspense accounts** – Timely review and resolution of amounts posted to suspense accounts can be improved to ensure timely resolution and proper posting to patient accounts.
- **Improve Timeliness for Review of Cash Posting Work Queues** – The professional and hospital work queues contain aged items over 90 days and represent payments that have not been posted to patient accounts.
- **Improve the Monthly Cash Reconciliation for Professional Payments** – Monthly cash reconciliations for Professional payments contain outstanding items dating back to 2012 that have not been resolved.
- **Improve Lockbox Documentation Scanning Process to EPIC** – Monthly cash collections supporting documents are received via lockbox and manually scanned and posted to patient accounts.

Executive Summary

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.

We would like to thank the Revenue Cycle Cash Posting team for their assistance and cooperation during this review.

Sincerely,



Valla F. Wilson, Assistant Vice President for Internal Audit

Audit Team:

Melinda Lokey, Internal Audit Director
Jeffrey Kromer, Internal Audit Director – IT & Specialty Audit Services
Angeliki Marko, Senior Auditor
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Kelly Kloeckler, Associate Vice President, Revenue Cycle Operations
Kirk Kirksey, Vice President and Chief Information Officer
Bruce Meyer, M.D., Executive Vice President, Health System Affairs
Stephanie Swanson, Director, MSRDP Practice Plan Budget
Beth Ward, Associate Vice President and Chief Financial Officer, University Hospitals
John Warner, M.D., Vice President and Chief Executive Officer for Health System Affairs

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response									
<p>Risk Rating: High ●</p> <p>1. Implement Review and Reconciliation of the Suspense Accounts</p> <p>While there are written procedures regarding the cash posting process, there are no procedures describing how to handle the movement of transactions in the clearing accounts.</p> <p>A formal review process of transactions posted to the suspense accounts is not in place due to no dedicated staff assigned and no metrics defined to ensure sufficient time to work the accounts. Hospital and Professional suspense accounts are used to post payments received that cannot be traced to a specific patient account.</p> <p>In addition, one hospital account contains excessive line items and the account activity freezes when reviewing detail makes it difficult to review the transactions in a timely manner.</p> <p>Total number of accounts and outstanding balances are:</p> <table border="1" data-bbox="142 1062 800 1328"> <thead> <tr> <th>Type</th> <th># of Accounts with Activity</th> <th>Balance</th> </tr> </thead> <tbody> <tr> <td>HB</td> <td>22</td> <td>\$1,108,877</td> </tr> <tr> <td>PB</td> <td>28</td> <td>\$(1,821,012)</td> </tr> </tbody> </table>	Type	# of Accounts with Activity	Balance	HB	22	\$1,108,877	PB	28	\$(1,821,012)	<ol style="list-style-type: none"> 1. Document written procedures for the clearing of suspense account activity 2. Develop a process to ensure suspense accounts are worked, reconciled and adjusting transactions are reviewed regularly by the staff and supervisor. 3. Establish metrics to assess reasonableness of the undistributed amounts in the account. 4. Split the transactions in account 300030505 to eliminate the freezing of the system when reviewing the activity. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We will develop written procedures for the key functional responsibilities 2. We will assign dedicated staff to work these accounts. 3. We will develop metrics on reasonableness for the undistributed balances. 4. We will run a reporting benchmark report to view all transactions and split the activity in different reports. <p><u>Action Plan Owners:</u></p> <ol style="list-style-type: none"> 1. Chester Brown, Manager, Billing Operations 2. Chester Brown, Manager, Billing Operations 3. Chester Brown, Manager, Billing Operations 4. Vinod Nair, Director Revenue Cycle & Business Systems
Type	# of Accounts with Activity	Balance									
HB	22	\$1,108,877									
PB	28	\$(1,821,012)									

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Without adequate review of the transactions posted to the suspense accounts, errors and inappropriate activities may go undetected.</p>		<p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. October 31, 2016 2. October 31, 2016 3. November 30, 2016 4. October 31, 2016

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response																																	
<p>Risk Rating: High ●</p> <p>2. Improve Timeliness for Review of Cash Posting Work Queues</p> <p>Items posted to work queues are not consistently cleared in a timely manner, primarily due to the volume of transactions as well as work queues not assigned to appropriate personnel.</p> <table border="1" data-bbox="142 578 800 1097"> <thead> <tr> <th>Cash Posting Work Queues</th> <th>Active Undistributed Amount</th> <th>Amount aged > 90 days</th> </tr> </thead> <tbody> <tr> <td>Hospital WQ 294</td> <td>\$4,000,000</td> <td>\$2,160,644</td> </tr> <tr> <td>23758 *outsourced</td> <td>\$2,595,036</td> <td>\$250,913</td> </tr> <tr> <td>23760</td> <td>\$270,406</td> <td>\$265,718</td> </tr> <tr> <td>26778</td> <td>\$203,387</td> <td>\$152,807</td> </tr> <tr> <td>19491</td> <td>\$197,764</td> <td>\$184,346</td> </tr> <tr> <td>19489</td> <td>\$191,832</td> <td>\$183,793</td> </tr> <tr> <td>19488</td> <td>\$151,907</td> <td>\$182,127</td> </tr> <tr> <td>23761</td> <td>\$129,645</td> <td>\$129,645</td> </tr> <tr> <td>2936</td> <td>\$124,738</td> <td>\$ 3,131</td> </tr> <tr> <td>Total</td> <td>\$7,864,715</td> <td>\$3,513,123</td> </tr> </tbody> </table> <p>* Work queue #23758 is outsourced to a third party for review and resolution. However, the vendor does not fully research and resolve all transactions but are moving some items to other work queues.</p> <p>Not addressing the items within these work queues results in payments not posted to the proper patient account in a timely manner.</p>	Cash Posting Work Queues	Active Undistributed Amount	Amount aged > 90 days	Hospital WQ 294	\$4,000,000	\$2,160,644	23758 *outsourced	\$2,595,036	\$250,913	23760	\$270,406	\$265,718	26778	\$203,387	\$152,807	19491	\$197,764	\$184,346	19489	\$191,832	\$183,793	19488	\$151,907	\$182,127	23761	\$129,645	\$129,645	2936	\$124,738	\$ 3,131	Total	\$7,864,715	\$3,513,123	<ol style="list-style-type: none"> 1. Post the work queue transactions to patient accounts to ensure accuracy of patient account balances. 2. Develop monitoring controls for ensuring timely posting of work queue amounts to patient accounts. 3. Evaluate scope and responsibility of outsource vendor to better define outcomes. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We will post transactions to patient accounts timely and we will set expectations for working the accounts. 2. We will develop key monitoring reports to ensure timely posting to patient accounts. 3. We will evaluate outsourcing activities to determine how to proceed going forward. <p><u>Action Plan Owners:</u></p> <p>Chester Brown, Manager, Billing Operations</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. October 31, 2016 2. November 30, 2016 3. December 31, 2016
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Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response																
<p>Risk Rating: Medium ●</p> <p>3. Improve the Monthly Cash Reconciliation for Professional Payments</p> <p>The Professional monthly cash reconciliations contain outstanding reconciling items of \$189,000 aged back to 2012. Updates are not made to the reconciliations as adjustments are posted, as such it is not clear how much is outstanding currently. Due to the complexity of transferring amounts between Hospital and Professional balances and the labor intensive requirements for reviewing the accounts, each reconciling item requires a substantial amount of time and expertise.</p> <p>Without timely clearing of stale dated reconciling items, the Medical Center financials may not be accurate.</p>	<ol style="list-style-type: none"> 1. Resolve and clear the old stale dated reconciling items from the monthly cash reconciliations. 2. Establish reconciliation benchmark for outstanding items. Track current status of cumulative reconciling items to ensure all amounts are resolved in a timely manner. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We will clear the old items and update the reconciliations to reflect current balances as follows. <table border="1" data-bbox="1444 459 1984 816"> <thead> <tr> <th>Code Type</th> <th>Processed Target Date</th> </tr> </thead> <tbody> <tr> <td>7</td> <td>100% 12/31/16</td> </tr> <tr> <td>3R</td> <td>100% 12/31/16</td> </tr> <tr> <td>3S</td> <td>100% 12/31/16</td> </tr> <tr> <td>3T</td> <td>50% 12/31/16 50% 3/31/17</td> </tr> <tr> <td>3D (Aston)</td> <td>2015-2016 100% 3/31/17 ≤ 2014 6/30/17</td> </tr> <tr> <td>3DA</td> <td>100% 12/31/16</td> </tr> <tr> <td>3TA</td> <td>100% 12/31/16</td> </tr> </tbody> </table> <ol style="list-style-type: none"> 2. We will create benchmarks for the monthly reconciliations and evaluate the efficiency of the process. <p><u>Action Plan Owners:</u></p> <p>Chester Brown, Manager, Billing Operations</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. See table above in Management Action Plan 2. December 31, 2016 	Code Type	Processed Target Date	7	100% 12/31/16	3R	100% 12/31/16	3S	100% 12/31/16	3T	50% 12/31/16 50% 3/31/17	3D (Aston)	2015-2016 100% 3/31/17 ≤ 2014 6/30/17	3DA	100% 12/31/16	3TA	100% 12/31/16
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Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>4. Improve Lockbox Documentation Scanning Process</p> <p>Currently supporting documentation, along with a daily summary printout, is delivered from the bank via courier, separated in batches and scanned into the EPIC system before manual posting by the Cash Posting team. Professional services patient payments are not scanned into the work queues but are maintained as hard copies until posted, then scanned into the EPIC system. As such, payment posting transactions are not consistently posted in a timely manner and resources are not efficiently utilized.</p> <p>A review of 25 dates for a total of 2,787 transactions totaling \$8.8M, identified 18 dates with 435 transactions posted more than seven days after receipt, with the longest delay of 47 business days. Delays in posting could result in decreased patient satisfaction and account errors.</p> <p>Automating the lockbox documentation postings could minimize resources utilized in manual cash posting as well as minimize cash posting errors.</p>	<ol style="list-style-type: none"> 1. Continue to work with the bank to evaluate the option of automating the lockbox supporting documents scanning of cash postings. 2. Develop procedures to monitor posting timeliness, including escalation to leaders if needed. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We will work with the bank to identify the way to automatically scan the supporting documents to Epic. 2. We will develop timelines for posting cash to patient accounts. <p><u>Action Plan Owners:</u></p> <ol style="list-style-type: none"> 1. Chester Brown, Manager, Billing Operations <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. December 31, 2016 2. December 31, 2016

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:

<p>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.</p>	Degree of Risk and Priority of Action	
	Priority	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.
	High	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.
	Medium	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.
	Low	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.

Appendix B: Key Statistics

The following chart provides the total active balances tracked in the Hospital and Professional work queues, approximately \$7.8M. The items in the Hospital work queues are reviewed and resolved internally. Items in the largest Professional work queue – PB Rev Staffing – are reviewed and resolved by outsourced staffing.

