

MEMORANDUM

TO: Owen J. Murray, DO, MBA
Vice President, Offender Care Services

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

DATE: September 26, 2018

SUBJECT: CMC Free World Inpatient Claims Processing Audit
Engagement Number 2018-020

Audit Services has completed an assessment of the Correctional Managed Care (CMC) Free World Inpatient Claims Process. The primary objective of this audit was to review current operational procedures and data related to the processing of free world inpatient claims. The scope of this audit focused on current CMC Finance operational activities and data generated during fiscal year (FY) 2018.

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

Background

The University of Texas Medical Branch (UTMB Health) provides hospital, specialized clinic and on-unit care for offenders incarcerated in the eastern half of the state of Texas, utilizing UTMB Health employed staff and some third party contracts, including services within Texas' prison hospital in Galveston (Hospital Galveston). Medical hospital services are provided in units during 'normal' hours of the day. However, there are occasions when events happen after hours or are not within the doctor's purview, that require an offender to be transported to a 'Free World' hospital, if the event cannot wait for transfer to Hospital Galveston.

CMC Finance acts as the offender patient's insurance company for payment to 'Free World' providers with the responsibility for processing, adjudicating, and paying their claims. Since establishment of the program, CMC Finance has used a software application to assist in the claim adjudication process. The application has customizable functionality to meet the business needs. However with modern software advancements, CMC Finance determined a replacement of the legacy system was optimal for ongoing operations and it is anticipated a new system will be implemented during the coming fiscal year.

Cognizant of the anticipated system replacement, Audit Services assessed the current 'Free World' inpatient claim process noting current status and future system considerations.

Audit Results

Audit Services process and data review identified current opportunities for improvement related to a policy and procedure cyclical update/review process and compliance with UTMB Health's Information System's Change Management policy.

Additional opportunities were identified related to the review/identification of duplicate claims and document retention of voided claim amounts; however, Audit Services notes the implementation of the new application system is expected to minimize the occurrences of these events.

See the Appendix for detailed results.

Recommendations

Policies and Procedures

Recommendation 2018-020-01-RL:

CMC Finance should establish a 3-5 year review cycle for all policies and procedures/guidelines to ensure alignment with applicable regulatory guidance and industry leading practices. The policies and procedures/guidelines should contain documentation of the date of last review.

Management's Response:

Management agrees with the recommendation. With the replacement of the current claims system this fiscal year, all related policies and procedures/guidelines will be updated accordingly. CMC Finance will adopt a 3-year policy and procedures/guidelines review cycle with review dates documented.

Implementation Date:

June 30, 2019 to coincide with the anticipated implementation schedule of the new system.

Claims Management System

Recommendation 2018-020-02-PL:

CMC Finance working with Information Systems should ensure that requirements within IS Practice Standard 5.4-Change Management are implemented and followed for any updates/changes made to the claims management system.

Management's Response:

Management agrees with the recommendation and will implement the requirements of IS Practice Standard 5.4 – Change Management.

Implementation Date:

Immediately

Conclusion

Based on the procedures performed, overall, it appears the CMC Finance is operating as expected with current processes in place. Audit Services identified current opportunities for risk mitigation related to policy and procedure reviews and process enhancements around system change management activities. Additional opportunities identified are expected to be addressed with the scheduled implementation of the new claims processing software application.

We greatly appreciate the assistance provided by the CMC Finance Department personnel and hope that the information presented is beneficial.

c: Donna K. Sollenberger
David M. Connaughton

Process Review Results	Future System Considerations
<ul style="list-style-type: none"> Provided policies and procedures reviewed either did not contain evidence of creation/review or evidence suggesting that some guidelines had not been reviewed in the previous 3-5 year period. Recommendation 2018-020-01-RL 	<ul style="list-style-type: none"> Departmental policies and procedures should undergo updates/changes, as applicable, and be subjected to documented periodic reviews.
<ul style="list-style-type: none"> Documentation reviewed indicated the completion of training provided on claim entry was agreed upon by employee/trainee and manager/trainer. Observations performed indicated staff appear to have a good understanding of the current free world inpatient claims entry process. 	<ul style="list-style-type: none"> New system training is to be provided by the software vendor. Internal documentation should be retained in employee's file to indicate type of training delivered. Documentation provided during training should be retained.
<ul style="list-style-type: none"> Design of legacy system restricts access by user function. System access is granted upon request of Trusted Requestors or reset by request of user. System requirements include routine user password resets. 	<ul style="list-style-type: none"> Requirements within UTMB IS Practice Standards related to Account & Password Management should be complied with in the new system, as applicable.
<ul style="list-style-type: none"> System updates/changes are requested in an informal manner by CMC Finance Management. Reviews to ensure updates/changes were accurately loaded are performed by CMC-IS and Department Management. However, documentation of system update/change request and/or reviews are not maintained routinely. Recommendation 2018-020-02-PL 	<ul style="list-style-type: none"> Requirements identified in the UTMB Health IS Practice Standards related to Change Management should be complied with in the new system, as applicable.
<ul style="list-style-type: none"> Allowed Medicare amounts (as well as other fee schedules) are updated annually within the system. Updates made to regulatory allowed amounts are not updated in the system until the following year. 	<ul style="list-style-type: none"> Audit Services notes that with the implementation of a new system, functionality of continual/periodic updates to fees/codes/pricing, would ensure allowable amounts are current and accurate as possible.

Process Review Results	Future System Considerations
<ul style="list-style-type: none"> • Review of claim entry determined: <ul style="list-style-type: none"> - that patient identifiers are entered to determine if the patient is in the claims system and/or a covered participant during the date(s) of the claim - invalid claims are either not entered or entered and denied with an assigned reason code - 97% of claims sampled and reviewed were processed within the permitted guideline timeframe - appealed claim sample indicated evidence of review by management for determination of further payment - the AS400 does not contain system logic to identify previously paid claims. Manual review is relied upon for identification of duplicate claims. 	<ul style="list-style-type: none"> • Audit Services notes that with the implementation of a new system, the majority of claims will be received electronically, reducing the amount of manual claim data entry and minimizing the possibility of paying claims twice.
<ul style="list-style-type: none"> • Check Registers are created for 'Approved' claim amounts within the system for the time frame generated. Errors as identified during manual review of the check register are voided. Check files are transmitted to PeopleSoft for creation of vouchers and checks. Errors identified during transmission are communicated to Department for follow-up. Check data is transmitted to the Bursar's Office for check printing and applicable distribution. Audit Services observed the process of identifying claim amounts on check registers to be voided, the distribution of the voided amounts to staff, and the return of corrected voided claim data. Documentation of these voids/corrections are not retained. 	<ul style="list-style-type: none"> • Audit Services notes that with the implementation of a new system, the majority of claims will be received electronically, thus reducing the amount of manual claim data entry into the system, ideally reducing the amount of errors identified and the need to void claim amounts from check registers.
<ul style="list-style-type: none"> • Claims reviewed by Audit Services indicated evidence of review/approval, as applicable, by Management. Claims data is reviewed, for appropriateness of charge as well as to identify any data errors, prior to check register creation, for corrections to occur. 	<ul style="list-style-type: none"> • Audit Services notes that with the implementation of a new system, functionality may exist for system based review and approval of claims. CMC Finance should consider reviewing approval thresholds and update, as needed.