

23-111 Physicians Referral Service – Professional Service Agreements

Executive Summary

Professional Service Agreements (PSAs) are contracts with external physicians to provide medical services on behalf of the institution. In Fiscal Year (FY) 2022, Key Performance Indicators (KPIs) were added to Professional Service Agreements, based on the advice of outside counsel, to address a potential Centers for Medicare and Medicaid Services (CMS) survey deficiency. Physicians Referral Service (PRS) in collaboration with Legal Services, developed and implemented procedures to outline expectations for monitoring.

In accordance with the FY2023 audit work plan, Internal Audit conducted a review of the processes in place to monitor the KPIs within the Professional Service Agreements. Our review indicated a centralized oversight function is not in place to ensure departments are adequately monitoring KPIs. Additionally, departmental stakeholders appear to lack understanding of their responsibilities, as outlined in the Physicians Referral Service procedures. However, payments were made in accordance with contract terms.

For the period reviewed, MD Anderson had 117 active professional service agreements. We spent approximately \$7.7M for these services from September 2022 through May 2023. Of these, we selected a sample of 34 agreements, or 29 percent of the active contracts, and covered 65 percent of the spend from September 2022 through May 2023.

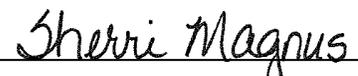
Further details are provided in the Detailed Observations section. Other opportunities for improvement unrelated to the scope of this audit were communicated to management separately.

Management Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before **February 29, 2024**.

Appendix A outlines the objective, scope, and methodology for this project.

The courtesy and cooperation extended by the personnel in Physician Referral Service are sincerely appreciated.



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Vice President & Chief Audit Officer
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**Observation 1:
Implement Centralized Oversight Function to Ensure Adequate
Monitoring of KPIs****Ranking: HIGH**

A centralized oversight function is not in place to ensure departments are adequately monitoring Key Performance Indicators (KPIs) for Professional Service Agreements. PRS has developed detailed procedures outlining the departments' responsibilities to develop and internally monitor provider performance (as noted in Observation 2). However, departments are not adequately monitoring the KPIs or uploading the supporting documentation, as required. Best practice indicates having a centralized governance structure, in addition to the individual departmental reviews, would promote consistent evaluation and monitoring of contracted physician performance.

Supply Chain has developed a centralized oversight function to ensure the KPIs for other contracts within the institution are adequately monitored. They have agreed to consider including the Professional Services Agreements as part of their current oversight process.

Recommendation:

Management should coordinate with Legal Services and Supply Chain to implement a centralized oversight function for Professional Service Agreements, ensuring departments are adequately monitoring KPIs. Additionally, management should update their procedures to reflect changes to the monitoring process.

Management's Action Plan:

Executive Leadership Team Member: Welela Tereffe
Division/Department Executive: George Perkins
Owner: Karen Kennedy
Implementation Date: 2/29/24

PRS will coordinate with Legal Services and Supply Chain to improve upon the centralized oversight function on KPI's. There is a centralized process for reporting deficient/unmet KPI's that is currently sent out to the department stakeholders as a reminder to complete the KPI reports in Total Contract Manager (TCM). We will add in performing risk-based monitoring of Professional Service Agreements on an annual basis to ensure that departmental stakeholders are monitoring the KPI's and providing adequate documentation. We will also work with the appropriate parties to ensure adequate controls are in place to mitigate risks and implement the action plan. We will update the procedures to reflect the changed processes.

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**Observation 2:
Enhance Stakeholder Education and Training****Ranking: MEDIUM**

Our review indicated that 58 percent of the departments audited were not adequately monitoring the key performance indicators (KPI) for the Professional Service Agreements they oversee. This represented 24 agreements, with a spend of \$3.1M from September 2022 through May 2023. According to these departmental stakeholders, they did not fully understand the monitoring requirements.

The Physicians Referral Service provided instructions, guidance, and procedures for monitoring KPIs to departments with active Professional Service Agreements. The procedures state each department is required to develop KPIs to ensure professional services are provided in a safe and effective manner. Additionally, departments are required to monitor and maintain documentation supporting provider performance in connection with the KPIs and upload this documentation into Total Contract Manager along with their annual attestation that the KPIs were met. When documentation of this monitoring process is not maintained or appropriately evaluated, there is increased risk of unsatisfactory contracted physician performance.

Recommendation:

Management should enhance education and training of the KPI monitoring process to ensure department stakeholders fully understand the requirements.

Management's Action Plan:

Executive Leadership Team Member: Welela Tereffe
Division/Department Executive: George Perkins
Owner: Karen Kennedy
Implementation Date: 2/29/24

PRS will work with Supply Chain to enhance the current KPI attestation training and education to the departmental stakeholders to incorporate specific training around KPI attestations, reporting expectations, and supporting documentation specific to PSA's. We will update the procedures to incorporate a training and educational component.

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Appendix A

Objective, Scope and Methodology:

Internal Audit conducted a review of Physicians Referral Service (PRS) as required by UT System 155. The objective was to ensure professional service key performance indicators are monitored in accordance with the established procedures. The review scope was FY2022, and any related periods.

Our methodology included, but was not limited to, the following procedures:

- Reviewed relevant organizational policies and procedures.
- Interviewed key personnel in PRS, Supply Chain, and Legal Services to gain an understanding of the Professional Service Agreements process and expectations for key performance indicators.
- Reviewed a sample of PRS Professional Service Agreements to identify the key performance indicators and compensation.
- Assessed if PRS payments agreed to contracted rates within the agreements.
- Determined the frequency of utilization for contracts with guaranteed payments.
- Interviewed departmental stakeholders to assess the process for monitoring and retaining supporting documentation for key performance indicators.

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The internal audit function at MD Anderson Cancer Center is independent per the *Generally Accepted Government Auditing Standards* (GAGAS) requirements for internal auditors.

Number of Priority Findings to be monitored by UT System: None

A Priority Finding is defined as “an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”

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