



Greg Fischer
Mayor

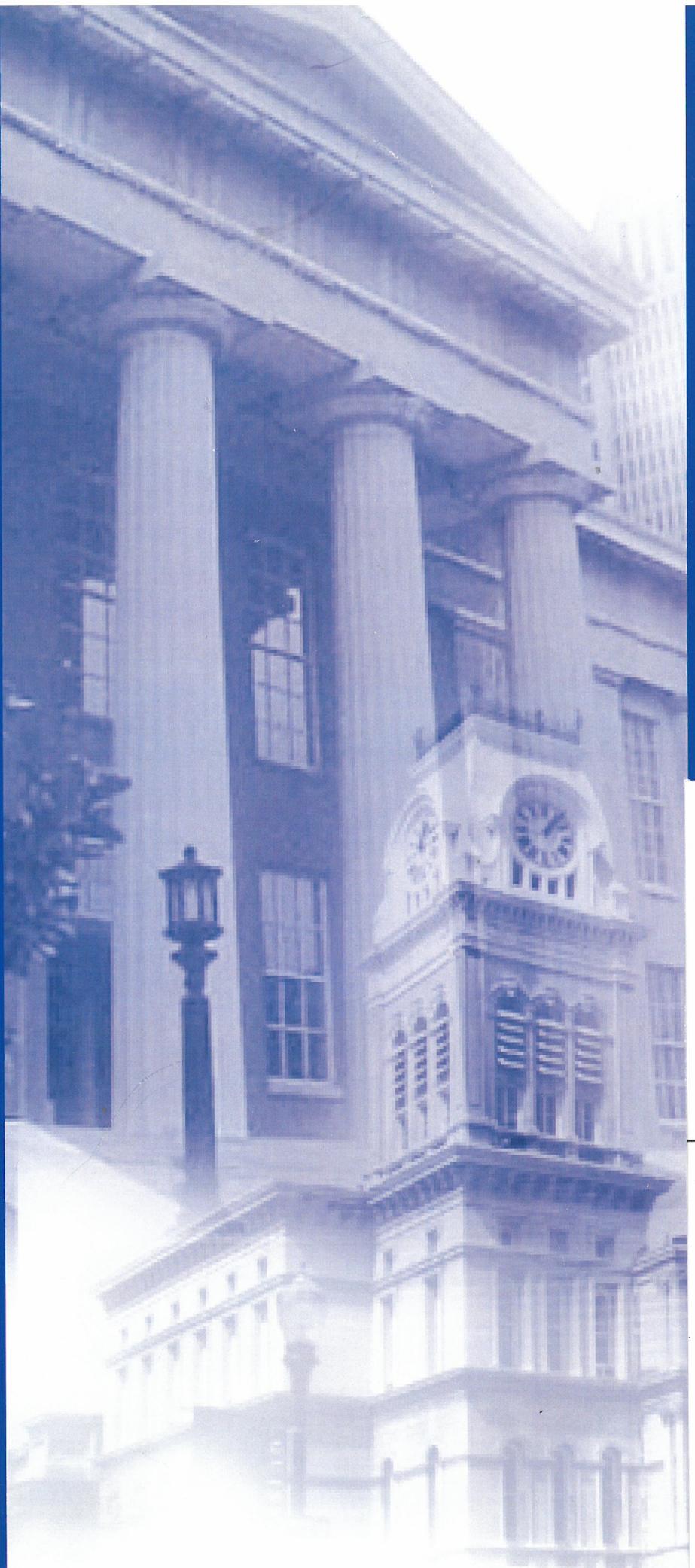
Louisville Metro Council

The Office of Internal Audit provides independent, objective assurance and consulting services that adds value to and improves Louisville Metro Government.

Office of Internal Audit

Office of Management and
Budget

Emergency Medical Services Billing
and Collections Activity



Audit Report

Office of Management and Budget

Emergency Medical Services Billing and Collections Activity

September 2015

Office of Internal Audit



Office of Management and
Budget

Emergency Medical Services Billing
and Collections Activity

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Executive Summary

PROJECT TITLE

Office of Management and Budget Medical Billing and Collections

OBJECTIVE AND SCOPE

The objective was to perform a review of the Office of Management and Budget Medical Billing and Collections activity. The operating policies, procedures and records specific to Emergency Medical Services (EMS) medical billing and collections were reviewed. The primary focus was the operational and fiscal administration of the activity. This includes how activity is processed, recorded, and monitored. The objective was to obtain assurance that the risks are adequately mitigated through internal controls in the process.

This was an assurance review based on policies and procedures for the operational and fiscal administration of the Office of Management and Budget Medical Billing and Collections activity, specific to EMS. The review included billing and collections activity during calendar year 2014 (January 1, 2014 through December 31, 2014). The details of the scope and methodology of the review are addressed in the Observations and Recommendations.

INTERNAL CONTROL ASSESSMENT

Needs Improvement

RESULTS

Opportunities exist for improving the internal control structure for Office of Management and Budget Medical Billing and Collections, specific to EMS. Examples include the following.

- **Billing and Collections.** There were issues noted regarding billing and collections activity.
 - There were instances in which payments were not properly applied to the patient account within the EMS Billing System.
- **Claims Processing.** There were issues noted regarding claims processing activity.
 - There were instances in which the patient was billed at a rate that did not agree to the authorized rate for the Level of Care that the patient received.
 - There were instances in which patient authorization was not documented, by way of the patient signature.
- **General Administrative.** There were issues noted regarding the general administration of the activity.
 - There was an instance in which a difference identified by way of a reconciliation was not researched and resolved.



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

MAY R. PORTER, INTERIM CHIEF AUDIT
EXECUTIVE

DAVID TANDY
PRESIDENT METRO COUNCIL

Transmittal Letter

September 14, 2015

The Honorable Greg Fischer
Mayor of Louisville Metro
Louisville Metro Hall
Louisville, KY 40202

Subject: Audit of the Office of Management and Budget Medical Billing and Collections

Introduction

An audit of the Office of Management and Budget (OMB) Medical Billing and Collections was performed. The operating policies, procedures and records specific to Emergency Medical Services (EMS) medical billing and collections were reviewed. The primary focus was the operational and fiscal administration of the activity. This includes how activity is processed, recorded, and monitored. The objective was to obtain assurance that the risks are adequately mitigated through internal controls in the process.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the audit, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

Scope

A thorough understanding of the OMB Medical Billing and Collections activity, specific to EMS was obtained in order to evaluate the internal control structure. This was achieved through interviews of key personnel and examination of supporting documentation. This included obtaining an understanding of the policies and procedures for processing, recording, monitoring, reconciling, and reporting of activity. Testing of activity was also performed to determine the effectiveness of the controls.

OMB Medical Billing and Collections activity, specific to EMS was reviewed. The review included billing and collection activity related to EMS services provided during calendar year 2014 (January 1, 2014 through December 31, 2014). The review included assessing whether activity was processed, recorded, and monitored accurately and appropriately. The details of the scope and methodology of the review will be addressed in the Observations and Recommendations section of this report. The examination would not identify all weaknesses because it was based on selective review of data.

Opinion

It is our opinion that the internal control structure for the OMB Medical Billing and Collections activity, specific to EMS needs improvement. The internal control rating is on page 6 of this report. The rating quantifies our opinion regarding the internal controls, and identifies areas requiring corrective action. Opportunities to strengthen the internal control structure were noted. Examples include the following.

- **Billing and Collections.** There were issues noted regarding billing and collections activity, specific to EMS.
 - There were instances in which payments were not properly applied to the patient account within the EMS billing system.
 - There were instances in which a patient account may have been billed. However, no further collections efforts were made although the patient account was not paid in full.
 - There were instances in which patient accounts reflecting a credit balance due to an overpayment had not been refunded to the appropriate party.
- **Claims Processing.** There were issues noted regarding claims processing activity.
 - There were instances in which the patient was billed at a rate that did not agree to the authorized rate for the Level of Care that the patient received.
 - There were instances in which patient authorization was not documented by way of the patient signature.

- There were instances in which transfer of patient care was not properly documented.
- **General Administrative.** There were issues noted regarding the general administration of the activity.
 - There was an instance in which a difference identified by way of a reconciliation was not researched and resolved.
 - There were instances in which proper, timely approval of refunds was not documented by way of the signature of the approver and the date of approval.

Corrective Action Plan

Representatives from the Office of Management and Budget have reviewed the results and are committed to addressing the issues noted. Corrective action plans are included in this report in the Observations and Recommendation section. We will continue to work with the Office of Management and Budget to ensure the actions taken are effective to address the issues noted.

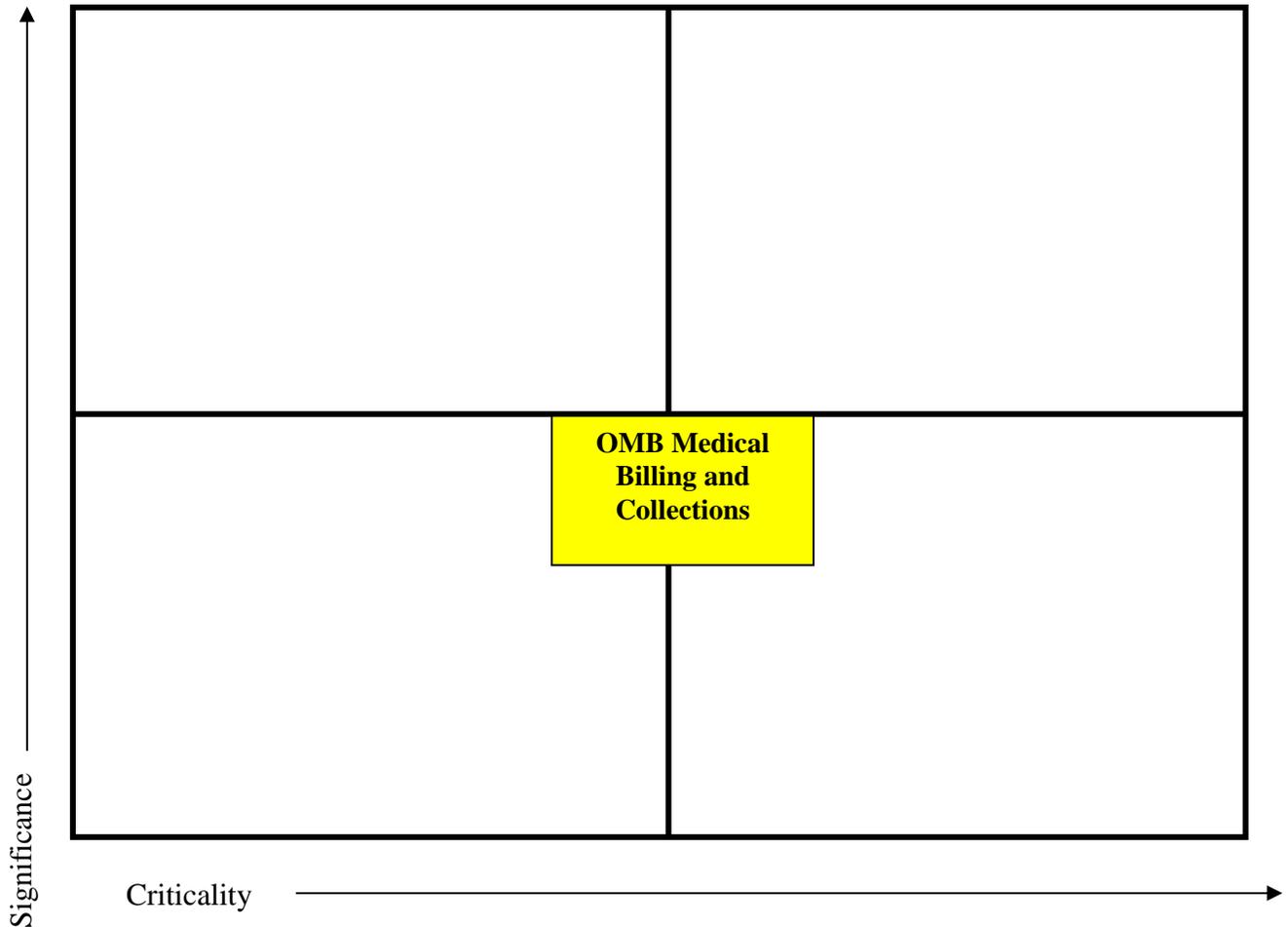
Sincerely,



May R. Porter, CIA
Interim Chief Audit Executive

cc: Louisville Metro Council Government Accountability and Ethics Committee
Director of Office of Management and Budget
Louisville Metro External Auditors
Louisville Metro Council President

Internal Control Rating



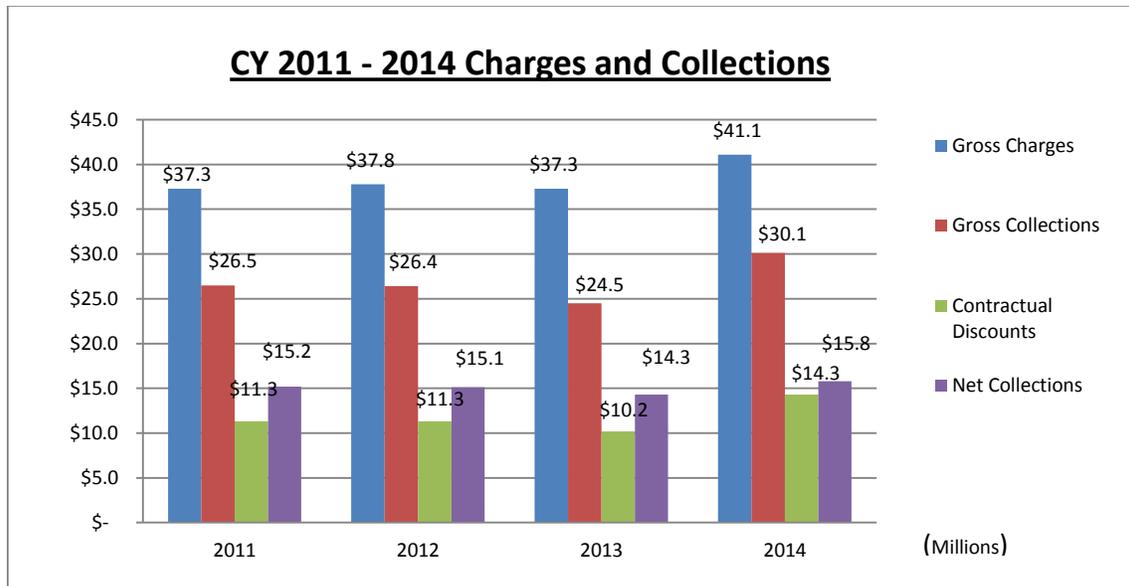
<u>Legend</u>			
<i>Criteria Issues</i>	<u>Satisfactory</u> Not likely to impact operations.	<u>Needs Improvement</u> Impact on operations likely contained.	<u>Inadequate</u> Impact on operations likely widespread or compounding.
<i>Controls</i>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<i>Policy Compliance</i>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<i>Image</i>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<i>Corrective Action</i>	May be necessary.	Prompt.	Immediate.

Background

The Billing Division of the Office of Management and Budget (OMB Billing) is responsible for billing and collecting revenue generated through services provided by Louisville Metro’s Emergency Medical Services (EMS). EMS services include basic and advanced life support, emergency medical care, ambulance transport and technical rescue to the sick and injured. Fees for EMS are governed by Louisville Metro Ordinance 39.045, Emergency Medical Services Fees and Charges. Fees range from \$150 when a patient is treated but not transported up to \$736 for advanced life support. Mileage is charged at \$10 per mile. During Fiscal Year 2014, OMB collected approximately \$14.8 million for emergency medical services.

The billing and collection of fees is performed both in-house and through a third party clearing house that is contracted to electronically invoice applicable payers. The source of collections received is typically one of four payers including Medicaid, Medicare, Commercial Insurance, or Patient Pay. Total charges and corresponding collections for services provided during calendar years 2011 through 2014 are graphically depicted below at Graph 1: CY 2011 – 2014 Charges and Collections.

Graph 1: CY 2011 – 2014 Charges and Collections



This was a scheduled audit.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The Office of Internal Audit previously conducted a review of the Emergency Medical Services Billing and Collections Activity in July of 2007. Unless otherwise noted, all prior issues have been satisfactorily addressed.

III. Statement of Auditing Standards

The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. Statement of Internal Control

An understanding of the internal control structure was obtained in order to support the final opinion.

V. Statement of Irregularities, Illegal Acts, and Other Noncompliance

The review did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the review that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. Views of Responsible Officials / Action Plan

A draft report was issued to the Office of Management and Budget on August 3, 2015. An exit conference was held at the Office of Management and Budget on July 30, 2015. Attending were Daniel Frockt, Angela Dunn, Kim Johnson, Evette Hudson, and Phillistine Burroughs representing the Office of Management and Budget and Ingram Quick and May Porter representing Internal Audit. Final audit results were discussed.

The views of the Office of Management and Budget officials were received on September 9, 2015 and are included as corrective action plans in the Observations and Recommendations section of the report. The plans indicate a commitment to addressing the issues noted.

LMCO §30.36(B) requires Louisville Metro Agencies to respond to draft audit reports in a timely manner. It specifically states that

“The response must be forwarded to the Office of Internal Audit within 15 days of the exit conference, or no longer than 30 days of receipt of the draft report.”

The Office of Internal Audit extended the timeframe for response from the Office of Management and Budget. The Office of Management and Budget’s response was provided within the agreed upon timeframe.

Observations and Recommendations

Scope and Methodology

A review of the Office of Management and Budget (OMB) Medical Billing and Collections activity was performed. The operating policies, procedures and records specific to Emergency Medical Services (EMS) medical billing and collections were reviewed. The primary focus was the operational and fiscal administration of the activity. This includes how activity is processed, recorded, and monitored. The objective is to obtain assurance that the risks are adequately mitigated through internal controls in the process.

Billing and collections activity was tested using a sampling approach. Testing was performed on a sample of transactions related to the processing of claims, payments, refunds, and reconciliations. Approximately 80,000 EMS transport and non-transport services occurred and were subsequently billed during the review period, January 2014 through December 2014. Samples of transactions were selected for testing accuracy, completeness, and timeliness as follows:

- A sample of approximately 27,000 EMS transport and non-transport services was reconciled from dispatch reports to the EMS billing system, to assess completeness.
- A sample of 50 EMS transport and non-transport services was reviewed to assess billing accuracy and timeliness.
- A sample of 25 patient accounts was reviewed to assess the resolution of duplicate billing/ payment.
- A sample of 15 refunds was reviewed to assess proper review and approval.

The examination would not reveal all non-compliance issues because it was based on selective review of data.

Observations

Issues were noted with the Office of Management and Budget (OMB) Medical Billing and Collections activity. As a result, the effectiveness of the internal control structure needs improvement. Opportunities to strengthen the controls include the following.

- 1) Billing and Collections
- 2) Claims Processing
- 3) General Administrative

Details of these begin on the following page.

1) Billing and Collections

- **Payment Application.** A payment from an insurance provider may include benefits for multiple patients. Usually the payment includes an Explanation of Benefits, which includes details regarding the patients covered by payment as well as the related services. Use of the Explanation of Benefits helps to ensure that the patient accounts, within the EMS billing system, reflect an accurate balance.
 - There were 5 of 11 instances in which payments were not applied to the proper patient accounts within the EMS billing system. The payments were posted to Louisville Metro's financial system. However, OMB Billing could not determine which patient accounts the payments should be applied to, as the Explanation of Benefits was not received with the payment. The total amount of unapplied payments during the review period was approximately \$25,150.
- **Collection Efforts.** There were 14 of 21 instances in which the patient account was billed after the date of service. However, no further collections efforts were made. Inadequate collection efforts increase the risk that patient accounts may not be paid in full.
- **Duplicate Billing / Overpayments.** Overpayments are typically the result of duplicate payments from a combination of one or more insurance companies and/ or the patient. When a patient account reflects a credit balance due to overpayment the amount of the overpayment should be refunded.
 - There were 7 of 25 instances in which the patient account balance, within the EMS billing system, reflected a credit balance. The credit balance is due to an overpayment from either an insurance company or the patient. As of June 2015, the overpayments had not been refunded to the appropriate parties and there was no documentation to indicate that they were in process of being refunded, pending further research.

Recommendations

Appropriate personnel should consider the following recommendations concerning OMB – Medical Billing and Collections.

- ✓ In an effort to track unapplied payments, the appropriate personnel should maintain a listing of all unapplied payments received and recorded into Louisville Metro's financial system and perform the following:
 - On a periodic basis, the applicable personnel should research the unapplied payments to determine the payer (i.e. insurance provider) and the intended payment allocation.
 - In the event that the payment allocation and the payer cannot readily be determined, the payment should be held in a suspense account until proper receipt and allocation can be determined.

- ✓ In regards to collection efforts, the appropriate personnel should perform the following:
 - Evaluate the costs and benefits related to employing a collection agency to ensure continued collection efforts for past due accounts.
 - On a periodic basis review billable trips by payer to ensure that adequate collection efforts have been made. Best practices for collections include at least three statements or invoices before more formal collection efforts begin.
 - Consult with legal counsel to determine if more aggressive options for collection efforts are available (i.e. wage garnishments).
- ✓ In regards to duplicate billing/ overpayments, the appropriate personnel should perform the following:
 - Develop procedures or provide additional training to inform employees on how to properly review the account prior to posting a payment. If an account does not have a balance prior to posting the payment, the employee should research to determine the correct action.

Office of Management and Budget Corrective Action Plan

The Office of Management and Budget concurs with and will implement the recommendation related to payment applications. In addition, the Office of Management and Budget stated the following:

The department identified early in 2014 that the ACH (Automated Clearing House) payments for EMS services received through Metro Government concentration bank account didn't always have the proper patient correspondence to accurately post to individual patient accounts. Through our research, it was discovered that one payer was causing most of the problem. We contacted several divisions within this group to try to resolve this issue with no success. To minimize the problem, we requested that the payer stop ACH payments and start issuing checks. Currently we are receiving 90% of these payments by check with the proper documentation for posting. For the month of August 2015 all payments have been posted. We have also added a field to our Monthly Reconciliation Report for all receivables that have not been posted to individual patient accounts. The manager will monitor and research the receivables monthly to ensure all revenue is posted in the ZOLL system.

The Office of Management and Budget concurs with but will not implement the recommendation related to collection efforts. The Office of Management and Budget will take the following alternative corrective action:

The current patient statement schedule in ZOLL and ZirMed is to send two patient statements, followed by a collection letter and then our collections effort would cease if no activity on the account. The department partnered with a collection agency in 2009 until 2011. All accounts that were more than 120 days were sent to a collections agency for collections. A decision was made in 2011 by EMS senior management team to discontinue this service because the return rate was less than 5% and the amount of time and resources needed to submit a file to the collection agency was not cost efficient. We

made a change on our patient statement collection letter to state: "This balance is now seriously past due and requires your immediate attention. We are anxious to help you resolve this account, but we can only do that with your help. Please contact our billing office at 502-574-4404 to avoid further collection activity". We have also developed a standardized Financial Hardship procedure for patients who request payment arrangements or a discount on their account due to financial hardships.

The Office of Management and Budget concurs with and will implement the recommendation related to duplicate billings/ overpayments. In addition, the Office of Management and Budget stated the following:

All payments will be logged and posted to patient accounts before they are deposited into the bank. This will reduce some overpayments. There will be instances where we will receive an overpayment on patient accounts when two third party payers pay as primary or the patient pays before we received payment from the third party payer. In these instances, we will post the payment and immediately complete a Refund Request Form for processing. The EMS supervisor will research the request and process for refund payment. We will follow the revised refund policies and procedures for Metro Government for all refunds.

2) Claims Processing

- **Inaccurate Billing.** Fees for Emergency Medical Services (EMS) are governed by Louisville Metro Ordinance 39.045, Emergency Medical Services Fees and Charges. Per the ordinance, fees are based on the Level of Care. The Level of Care is assigned by EMT/ Paramedic based on the severity of the patient complaint and procedures performed.
 - There were 2 of 50 instances in which the patient was billed at a rate that did not agree to the authorized rate for the Level of Care that the patient received.
- **Patient Authorization.** In order to process the patient claim, OMB Billing requires authorization by way of the patient's signature. In instances in which the patient's signature cannot be obtained due to the patient's condition the inability to obtain authorization must be properly documented within the Patient Care Report.
 - There were 2 of 50 instances in which authorization to release medical records or other information that is necessary to process the patient's claim was not documented by way of the patient signature.
- **Transfer of Care.** The primary method used to verify that transport occurred is the signature of the emergency room triage nurse. In instances in which the triage nurse's signature cannot be obtained due to the patient's condition, the inability to obtain documentation regarding the transfer of patient care must be properly documented within the Patient Care Report.
 - There was 1 of 50 instances in which transfer of patient care was not properly documented by way of the signature of the triage nurse whom accepted the patient upon arrival to the hospital.

Recommendations

Appropriate personnel should consider the following recommendations concerning claims processing.

- ✓ Appropriate personnel should develop desktop procedures or a detailed checklist to guide OMB Billing staff in processing patient claims.
 - Procedures and/or the checklist should include details regarding the data within the Patient Care Report that must be identically reflected within the EMS billing system.
 - Procedures and/or the checklist should include specific directives regarding when it is acceptable to make changes to patient complaint and/ or the Level of Care within the EMS billing system.
 - Procedures and/or the checklist should include specific directives regarding how, and where, within the EMS billing system, the reason for changes to the patient complaint and/ or the Level of Care should be documented.

- ✓ Appropriate personnel should periodically (at least monthly) review patient accounts that are unable to be billed due to an undocumented authorization to determine if further action may be taken.
- ✓ Reevaluate the policy which requires authorization, by way of the patient's signature in order to process the patient claim, as it relates to private pay patient accounts. For many insurance carriers, as well as, Medicaid and Medicare patient authorization is required. However, there is not a requirement to obtain documented authorization before billing the patient.
- ✓ Work with Louisville Metro Emergency Medical Services to communicate the importance of obtaining patient authorization and proof of transport at the time of service whenever feasible. In the event that it is not feasible, the reason should be documented within the Patient Care Report after service is complete.

Office of Management and Budget Corrective Action Plan

The Office of Management and Budget concurs with but will not implement the recommendation related to inaccurate billing. The Office of Management and Budget will take the following alternative corrective action:

The employees in the EMS billing department are experienced verifiers and have been trained to review the patient's medical record and determine if the level of care is parallel to what's in the billing system. There will be instances where the billing staff will have to change the Level of Care and/or the patient's complaint based on the documentation within the record to ensure correct billing. We will continue to train and review with staff on the importance of documentation within the ePCR report and that it matches the billing codes reported. We will also work with EMS headquarters to develop training modules for all staff so that there is a clear understanding of what is needed for maximum billing reimbursement. Also the EMS Billing supervisor will conduct monthly QA reviews to ensure that claims are being submitted correctly. Our primary verifiers and management attended training on proper documentation on August 12, 2015 (EMS Documentation for ICD - 10 and the Age of Compliance), we will continue to research training opportunities for continual education to ensure compliance for all payers.

The Office of Management and Budget concurs with and will implement the recommendations related to patient authorization. In addition, the Office of Management and Budget stated the following:

The department has developed a policy regarding when patient claims should be placed on hold when a patient signature is missing. All staff has been trained on this new policy. A list of all transports that are missing a signature will be sent to EMS headquarters for review weekly. The EMS supervisor will monitor the missing signature bucket monthly. Problems/patterns will be shared with EMS billing staff and EMS headquarters in ensure compliance.

The Office of Management and Budget concurs with and will implement the recommendation related to transfer of care. In addition, the Office of Management and Budget stated the following:

All EMS Billing staff have been trained on the policy for "Processing EMS Transports with Missing Patient Signatures". We no longer place patient pay claims on hold and we do not send a blanket assignment form when the signature is not obtained at the time of transport.

3) General Administrative

- **Monthly Reconciliation.** On at least a monthly basis, OMB Billing performs a reconciliation of the payments received during the month, and the related Louisville Metro's financial system account.
 - There was one instance where a difference was identified by the department when comparing the monthly payments posted to EMS billing system reports and the Louisville Metro financial system. The difference was not researched and resolved which could increase the risk that systemic issues, fraud, or errors may not be detected.
- **Refund Processing.** Refunds are initiated by the patient, insurance provider, or OMB Medical Billing and Collections. The Refund Request Form is used by OMB Medical Billing and Collections to process refunds. Proper, timely approval is documented by way of the signature of the approver and the date of approval.
 - There were 2 of 15 instances in which there was no evidence that the refund was properly approved, in a timely manner, as the signature of the approver and date of approval was not documented on the Refund Request Form.

Recommendations

Appropriate personnel should consider the following recommendations concerning general administration of OMB – Medical Billing and Collections activity.

- ✓ The reconciliation of the payments received during the month (per the EMS billing system) and the Louisville Metro financial system should be performed at least monthly to detect unauthorized activity, unexpected payments, and other discrepancies. Consider the following in performing the reconciliation(s):
 - Any differences identified should be researched and resolved. If research and resolution is dependent upon the materiality of the difference, the threshold at which research and resolution is required should be documented (i.e. policies and procedures).
 - The reconciliation preparer should sign and date the reconciliation upon completion.
 - The reconciliation should be subject to a formal review, evidenced by way of the reviewer's signature and the date of review.
- ✓ Care should be taken to ensure that approval of refunds is properly documented by way of the signature of the approver and date of approval. Applicable staff should receive training regarding how to complete the form.

Office of Management and Budget Corrective Action Plan

The Office of Management and Budget concurs with and will implement the recommendation related to monthly reconciliations. In addition, the Office of Management and Budget stated the following:

The EMS Billing Department has created a formal end of the month reconciliation process. All EMS staff will now be required to submit to the OMB Manager monthly reports that will be reconciled back to the Louisville Metro Financial System. All discrepancies will be researched and resolved. Senior management will determine a threshold amount when there are discrepancies that cannot be resolved. It is important to note that the one instance referenced in this recommendation was for \$120.00. This is an extremely low error rate compared to the \$17 million of collected annual revenue. However, OMB recognizes the importance of implementing a policy and procedure to address instances of unreconciled amounts.

The Office of Management and Budget concurs with and will implement the recommendation related to the refund process. In addition, the Office of Management and Budget stated the following:

All appropriate staff was trained on Metro Government's Revised Refund Policies and Procedures on July 9, 2015. The department will now follow these guidelines when refunds are processed. A Refund Request Form is completed by the EMS supervisor for all refunds. The Manager will review supporting documents and sign and date the form, if approved. The supervisor will then complete the Direct Pay Form in SharePoint and scan all supporting documentation to the Direct Pay email address. The manager will be the department approver for all refund requests through email and submit approvals to OMB.



The purpose of this survey is to solicit your opinion concerning the quality of the Office of Management and Budget (EMS) Medical Billing and Collections Audit. Please feel free to expand on any areas that you wish to clarify in the comment area at the end. Please return the completed survey electronically to IAUDITIMB@Louisvilleky.gov or to ATTN: Internal Audit 609 W. Jefferson St Louisville, KY 40202. We sincerely appreciate your feedback.

Survey

1. The audit report thoroughly explained the scope, objectives, and timing of the audit.

Strongly Agree
 Agree
 Neither Agree or Disagree
 Disagree
 Strongly Disagree

2. The audit report reflects knowledge of the departmental/governmental policies related to the area or process being audited.

Strongly Agree
 Agree
 Neither Agree or Disagree
 Disagree
 Strongly Disagree

3. The audit report is accurate and clearly communicated the audit results.

Strongly Agree
 Agree
 Neither Agree or Disagree
 Disagree
 Strongly Disagree

4. The audit recommendations were constructive, relevant, and actionable.

Strongly Agree
 Agree
 Neither Agree or Disagree
 Disagree
 Strongly Disagree

5. **Was there anything about the audit report that you especially liked?

6. **Was there anything about the audit report that you especially disliked?

Office of Internal Audit

Phone: 502.574.3291

www.louisvilleky.gov/InternalAudit/