UT Southwestern
Medical Center

Revenue Cycle: Department of Pathology Charge Capture Audit

Internal Audit Report 21:12

December 29, 2021

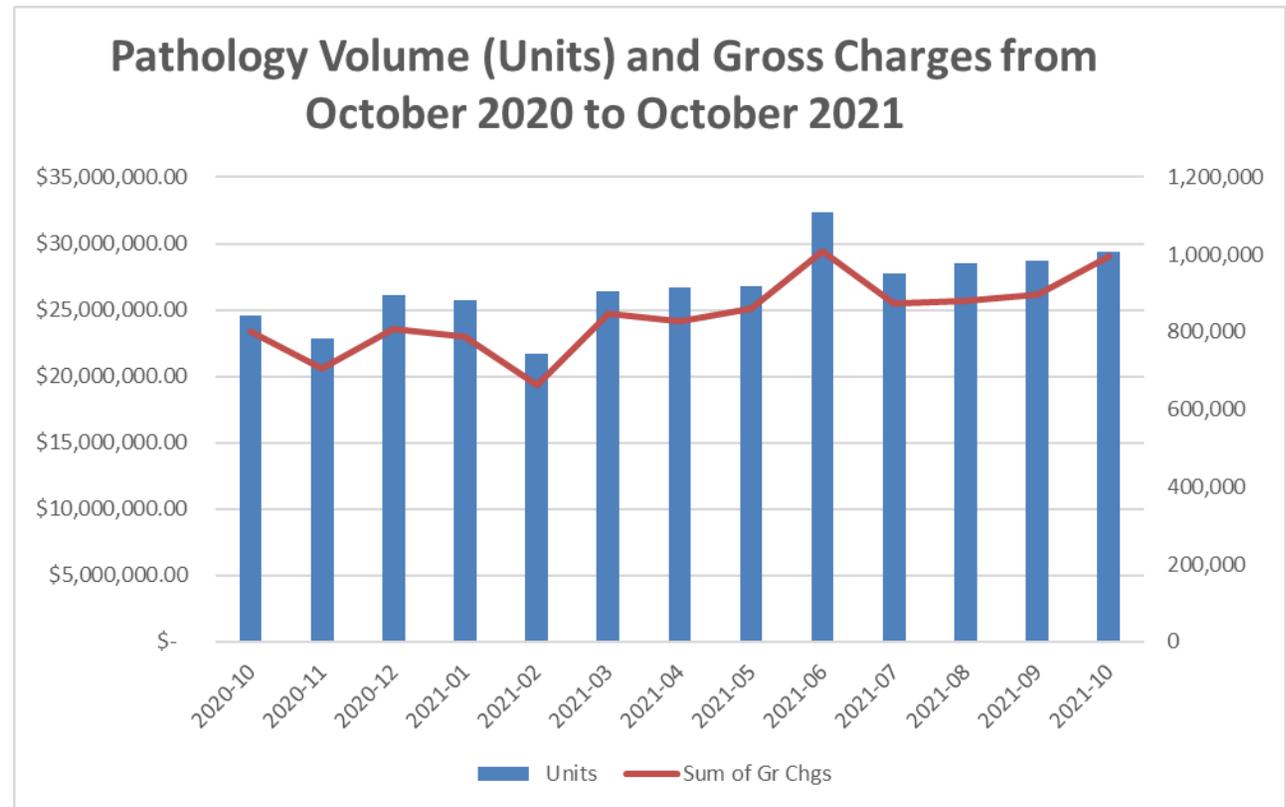# Executive Summary

Background

The UT Southwestern Medical Center (UT Southwestern) Department of Pathology (Pathology) provides anatomical and clinical laboratory diagnostic services at University Hospitals (William P. Clements Jr. and Zale Lipshy Pavilion), UT Southwestern outpatient ambulatory and hospital based clinical locations, Parkland and Children's Medical Center and also serves as a reference laboratory in performing diagnostic services for other hospitals and institutions. The graph on the right depicts Pathology gross charges and volumes from October 2020 through October 2021.

Pathology is one of the seven decentralized departments with its own Billing Operations team reporting to the Department Administrator and functions independently from UT Southwestern's centralized Revenue Cycle Operations. The Department's Billing Operations team, consists of a Manager, a Senior Database Analyst, a Supervisor, three Abstractors, two Reimbursement Specialists and five Billing Specialists is responsible for providing continuous support to medical providers, reviewing clinical documentation and performing charge entry into the Epic system. The Pathology Billing Operations team is responsible for the provider billing charges and the Hospital Administration handles the pathology hospital (technical) charges. The Pathology Revenue Cycle team also provides new provider onboarding training for clinical documentation, charge capture and coding updates, and is responsible for conducting transaction follow up activities for claims, denials, and appeals.

Pathology uses Epic Beaker module to review and release anatomical and clinical laboratory (lab) results.

Pathology Volume (Units) and Gross Charges from October 2020 to October 2021

Legend: Units, Sum of Gr Chgs

Executive Summary

Scope and Objectives

The Office of Internal Audit Services has completed its Revenue Cycle Charge Capture – Department of Pathology audit. This was a recurring risk-based audit and part of the fiscal year 2021 (FY2021) Audit Plan. The audit scope included FY2021 Pathology charge activities for provider services.

The overall audit objective was to evaluate current processes and controls including oversight to determine the adequacy and effectiveness of charge capture workflow in reducing risks for loss of revenue and inaccurate billing. Specifically, to determine whether there is:

- Timely and accurate charge entry and complete reconciliations
- On-going and effective revenue cycle monitoring processes and performance metrics reporting

Audit procedures included interviews with stakeholders, review of policies and procedures and other documentation, substantive testing and data analytics. 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

Opportunities exist to improve the charge reconciliation processes and controls to ensure all Pathology charges are captured for services performed. Given the volume of charges, a more automated tool would be helpful in performing complete reconciliations. System logic reviews and updates are needed to ensure appropriate charging flags and charge routing. Revenue cycle work queues (i.e., denials and follow up) have aging transactions to be addressed to reduce risks of untimely billing, reduce future denials and revenue loss. In addition, reviewing and updating department procedures to reflect current or enhanced practices and establishing monitoring procedures would be necessary for validating transaction activities, managing work queue volumes and assignments, improving accounts receivable management and ensuring goals and performance expectations are met.

Finally, as the Department of Pathology charge volume has increased, the department's resources for supporting the revenue cycle activities has decreased. This has impacted the volume and aging of charging and denials management transactions to be worked. While the department management is evaluating ways to automate the reconciliation process and enhanced reporting for tracking of activities they will need to do a comprehensive review in coordination with the centralized Revenue cycle function to evaluate the number of resources and explore a hybrid model that would also allow for potential supplemental revenue cycle resources through the centralized revenue cycle department or contracted resources with expertise to perform some of the revenue cycle duties.

The following table summarizes the observations, along with the respective disposition of these observations within UT Southwestern internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Executive Summary

Priority (0)	High (0)	Medium (4)	Low (0)	Total (4)

Key improvement opportunities are summarized below.

- 1. **Improve Provider Services Charge Reconciliation Process** – The reconciliation process for capturing pathology physician charges is labor intensive and does not include a comparison of charges to the completed anatomical and clinical lab results to ensure all pathology services are correctly captured, increasing the risk of missing revenues or inaccurate billing.

- 2. **Increase Follow Up Activities and Revenue Cycle Monitoring Processes** – Follow up on charges, denials and appeals workqueue transactions is not adequate to maintain current status. Active follow up workqueues was $1,843,587 as of November 2021, in which $832,664 (45%) is over 90 days and up to 2 years old increasing the risk of uncollectible amounts.

- 3. **Improve Controls over Charge Workqueues** – External billing processes for pathology consultations is manual and does not ensure segregation of duties as one employee completes the charging and billing processes. The Pathology consultations client billing charge work queue contained backlog of anatomic pathology consultations of about $137K as of November 2021.

- 4. **Update Standard Operating Procedures (SOPs), Website and Training Protocols** – Standard Operating Procedures for all department revenue cycle responsibilities need to be created or updated to reflect current or future practices. Updates should be made to procedures and training communications issued when there are new professional coding and billing requirements.

Management has implemented or is implementing corrective action plans. Management responses are presented in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

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

Sincerely,

Valla F. Wilson, Vice President and Chief Audit Executive, Office of Internal Audit Services

Audit Team:

Mia Dinh, Internal Auditor, Office of Internal Audit Services
Teresa Labbé, Internal Auditor, Office of Internal Audit Services
Angeliki Marko, Manager, Office of Internal Audit Services
Gabriel Samuel, IT Supervisor, Office of Internal Audit Services

Executive Summary

cc: Katie Callaway, Senior Business Analyst, IR Health Systems, University Hospitals
Holly G. Crawford, MBA, Executive Vice President for Business Affairs
Kathryn Flores, Assistant Vice President and Chief Information Officer, University Hospitals
Vicky Hernandez, Department Administrator, Department of Pathology
Kelly Kloeckler, Associate Vice President, Revenue Cycle Operations
Daniel Kromelis, Manager, Laboratory Services Administration, Hospital Administration
W. P. Andrew Lee, M.D., Executive Vice President for Academic Affairs and Provost, Dean, University of Texas Southwestern Medical School
James Malter, M.D., Chair, Department of Pathology
Chris Matta, Director Revenue Cycle & Business Systems, Information Resources, University Hospitals
Mark Meyer, Chief Financial Officer, University Hospitals
Mike Palovcsik, Interim Director, IR Health Systems, University Hospitals
Dennis Pfeifer, Assistant Vice President and Chief Technology Officer, Health System
Russ Poole, Vice President & Chief Information Officer, Information Resources
Mattew Pruitt, Director of Operations, Hospital Administration
Natalie Ramello, J.D., Vice President and Institutional Chief Compliance Officer, Office of Compliance
Mark Rauschuber, Associate Vice President and Chief Information Officer, Health System
Robert Reed, Senior Database Analyst, Department of Pathology
Chris Rubio, Associate Vice President and Chief Operations Officer, Hospital Administration
Darren Slider, Billing Operations Manager, Department of Pathology
Cameron Slocum, Vice President and Chief Operating Officer, Academic Affairs
Joshua Spencer, Associate Vice President and Chief Technology Officer
Stephanie Swanson, Director, Finance Practice Plan, Medical Group Financial Affairs
Seth Toomay, M.D., Associate Vice President and Health System Chief Medical Officer
John Warner, M.D., Executive Vice President, Health System Affairs
Michele Wingate, Associate Vice President, Finance Practice Plan, Medical Group Financial Affairs

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 **1. Improve Provider Services Charge Reconciliation Process** The reconciliation process for capturing pathology physician charges is labor intensive and increases risk of incomplete charges since the process did not include a comparison of charges to the completed anatomical and clinical lab results to ensure all pathology services are correctly captured. Data analysis performed indicated there were missing professional billing charges. Because of the volume of results, it was difficult to completely quantify the missing charges or identify root causes. In working with management to review samples, we found there were charges identified as missing due to certain logic and flagging errors. There were also two missing charges from of a sample of 19 that were due to staff deleting the charges in error during charge review process. Management indicated they would need to be rekeyed to ensure appropriate billing. Complete and robust reconciliation is critical to reduce the risk of missing revenue or inaccurate billing.	1. Review the hospital billing (HB) charges without corresponding professional billing (PB) charges results to ensure any additional deleted PB charges or other charging anomalies are identified, and charges billed appropriately. 2. Evaluate the Epic logic to ensure the flags for billing charges are appropriately applied. Validate any logic updates or additional changes needed. 3. Continue coordinating with the Clarity Reporting team to develop report(s) to aid in the reconciliation process. 4. Once the new report is built, develop an automated process to reconcile pathology results to associated charges. 5. Create and update monitoring procedures to ensure validation controls, charge accuracy and resolution of exceptions is performed. 6. Provide refresher training to employees regarding the charge review process and the importance of ensuring charges are reviewed and processed appropriately.	1. **Management Action Plans:** We will continue reviewing the narrowed down exceptions and making sure any corrections are made and additional actions are taken to reduce the number of exceptions. **Action Plan Owners:** Billing Operations Manager Senior Database Analyst **Target Completion Dates:** March 31, 2022 2. **Management Action Plans:** A. We will evaluate the Epic logic and flags to determine any updates. Based on evaluation, we will work with Epic IR to update logic and flags. B. We will make sure all logic and flag updates are validated. **Action Plan Owners:** Billing Operations Manager Senior Database Analyst Interim Director, IR Health Systems, University Hospitals

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		Target Completion Dates: A. April 30, 2022 B. May 31, 2022 **3. Management Action Plans:** We will work with the Clarity team to develop the reports that will aid in the charge reconciliation process. **Action Plan Owners:** Billing Operations Manager Senior Database Analyst **Target Completion Dates:** March 31, 2022 **4. Management Action Plans:** We will develop an automated process to reconcile pathology results to associated charges. **Action Plan Owners:** Billing Operations Manager Senior Database Analyst **Target Completion Dates:** April 30, 2022

Observation	Recommendation	Management Response
		5. Management Action Plans: We will develop monitoring procedures to include sampling of transactions for accuracy verification, timely review, and resolution of work queue transactions. **Action Plan Owners:** Billing Operations Manager Department Administrator **Target Completion Dates:** April 30, 2022 **6. Management Action Plans:** We will provide refresher training to employees regarding the charge review process. **Action Plan Owners:** Billing Operations Manager Senior Database Analyst **Target Completion Dates:** January 31, 2022

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response

Risk Rating: Medium 🟡
 	
 2. **Increase Follow up Activities and Revenue Cycle Monitoring Processes**
 	
 Follow up staffing resources and activities need to be increased to sufficiently manage key revenue cycle transaction work queue volumes such as charges, denials, and accounts receivable to keep current. Aging of transactions include the following:
 	
 • Active follow up work queues have a balance of $1,843,587 and volume of 63,384 accounts as of November 2021, from which $832,664 for 31,549 accounts (45%) are over 90 days and up to two years old, increasing the risk of uncollectible balances.
 	
 • There are over 80 workqueues with transactions that may need further review to determine if any are to be combined, reassigned or eliminated. Also, assignments may need to be established.
 	
 • The Denials rate is approximately 35.8% as of October 2021, with the top three reasons being charge bundling, timely filing and charge coding.
 	
 • The improper use of charge code modifiers contributes to volume of denials. Specifically, modifier 59 was incorrectly used for repeat procedures on the same day of service.
	1. Evaluate the Epic logic for applying modifiers and update as appropriate. Review logic periodically for needed updates.
	
	 2. Review and evaluate scenarios where the rules could be setup or modified for charge routing to reduce the volume of denials in workqueues.
	
	 3. Use denials monitoring reports to evaluate trends and training opportunities for the front-end operations. Consider utilizing criteria for priority based on determined criteria, such as payors, dollar amount, account aging, etc**.**
	
	 4. Coordinate with Revenue Cycle to evaluate Epic automation for different types of pathology denials, etc. to assist in follow up activities. Consider partnering with contracted resources through the centralized Revenue Cycle to assist with resolving denials and other aged follow up activities on a temporary basis as well as performing Quality Assurance monitoring activities.
		1. **Management Action Plans:**
		
		   A. We have initiated review of the logic of applying modifiers. Based on the review we will work with Epic IR to update the logic as appropriate. This has been completed for UT Southwestern and is in the process for revision and implementation for Children's and Parkland.
		
		   B. We will make sure all logic updates are validated.
		
		 Action Plan Owners:
		
		 Billing Operations Manager, Department of Pathology
		
		 Interim Director, IR Health Systems, University Hospitals
		
		 Target Completion Dates:
		
		 A. Completed UT Southwestern, April 30, 2022 for remaining
		
		 B. June 30, 2022
		
		 2. **Management Action Plans:**
		
		 We will review the charge rules and logic and determine new set up or modifications

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
The Epic logic for applying modifiers needs to be reviewed or updated to ensure the appropriate modifiers are included to reduce number of transactions being denied, risk of non-compliance and inaccurate billing. The Pathology department has limited staff to perform all the revenue cycle related charging, billing, denials and Accounts Receivable (AR) management activities including timely follow up. Without adequate resources to perform the necessary revenue cycle related duties in a complete and timely manner, there is an increased risk for revenue loss, inability to defend denials and timely rebilling. In addition, monitoring procedures are necessary for ensuring completion and accuracy of billing and follow up activities and meeting key department metrics.	5. Evaluate current staffing model and coordinate with Revenue Cycle to explore staffing resources including support from Revenue Cycle and contracting resources.	**Action Plan Owners:** Billing Operations Manager, Department of Pathology Department Administrator, Department of Pathology **Target Completion Dates:** March 31, 2022 3. **Management Action Plans:** We will be reviewing the denials reports and identifying trends, as well as additional logic changes and training opportunities. **Action Plan Owners:** Billing Operations Manager, Department of Pathology Department Administrator, Department of Pathology **Target Completion Dates:** February 28, 2022 4. **Management Action Plans:** We have started discussions with the Revenue Cycle to evaluate the resources options to assist in cleaning denials and aged accounts.

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		Action Plan Owners:
		Billing Operations Manager, Department of Pathology
		Department Administrator, Department of Pathology
		Target Completion Dates:
		Decision on resources – February 28, 2022
		Resource commitments – April 30, 2022
		5. **Management Action Plans:**
		Based on the assessment and updates on the aged accounts from the 2.3 action above, we will evaluate resources model going forward.
		Action Plan Owners:
		Billing Operations Manager, Department of Pathology
		Department Administrator, Department of Pathology
		Target Completion Dates:
		April 30, 2022

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium ● **3. Improve Controls Over Charge Workqueues** Pathology consultants' external billing process is manual, labor intensive and duties are not properly segregated. One employee has responsibilities to post consulting charges and perform billing. There is no validation or monitoring to ensure complete and accurate billing. Specifically, Pathology charge work queue ID# 2731 used for consultations client billing contained a backlog of 151 anatomic pathology consultations of approximately $137K as of November 2021. In addition, written procedures are not available to provide guidelines for forced submitting work queue ID# 15488 transactions used for transplant services. Monitoring is not performed to ensure proper forced submitting to reduce risk of billing compliance errors.	1. Implement a process to separate the roles of billing and posting for pathology consultations. 2. Document procedures for the forced submitting activities needed within work queue ID# 15488. 3. Perform monitoring to ensure the process is working as intended for the referenced work queues.	1. **Management Action Plans:** We completed the back log during the audit. We have updated our procedures to have different persons completing the billing process. **Action Plan Owners:** Billing Operations Manager, Department of Pathology Department Administrator, Department of Pathology **Target Completion Dates:** Completed 2. **Management Action Plans:** We developed procedures for the forced submit activities within the work queue during the audit. **Action Plan Owners:** Billing Operations Manager, Department of Pathology Department Administrator, Department of Pathology **Target Completion Dates:** Completed

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		3. Management Action Plans: We will run a monthly report indicating which clients have outstanding charges for outside surgical pathology consultations and monitor to ensure billing is completed appropriately. The department administrator will also perform monitoring to ensure process is working as intended. **Action Plan Owners:** Billing Operations Manager, Department of Pathology Department Administrator, Department of Pathology **Target Completion Dates:** February 28, 2022
Risk Rating: Medium ● **4. Update Standard Operating Procedures (SOPs), Website and Training Protocols** Standard Operating Procedures for all revenue cycle responsibilities need to be developed or updated to reflect current or future practices. Given the various regulatory updates impacting revenue cycle procedures, not keeping the procedures current increases risk of billing non-compliance. Keeping current procedures and roles and responsibilities is also critical for ensuring providers and employees are trained and performing compliant activities.	1. Evaluate and update the department procedures. Ensure procedures reflect current regulatory requirements. 2. Updates should be made to procedures and training communications issued when there are new professional coding and billing requirements.	**1. Management Action Plans:** We will evaluate the current procedures and update as applicable. **Action Plan Owners:** Billing Operations Manager, Department of Pathology **Target Completion Dates:** March 31, 2022

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
	3. Communicate and conduct training on the updated procedures to the providers and staff as applicable and update Department website to make the information is available to all applicable parties. 4. Develop and implement monitoring steps to ensure current practices align with department SOPs and standard metrics are met.	2. **Management Action Plans:** Once done updating the content we will communicate across the department as applicable. We will also include in our website so it is available as a reference. **Action Plan Owners:** Billing Operations Manager, Department of Pathology **Target Completion Dates:** April 30, 2022 3. **Management Action Plans:** We will continue performing the quarterly reviews to ensure materials are current. **Action Plan Owners:** Billing Operations Manager, Department of Pathology **Target Completion Dates:** June 30, 2022

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		4. **Management Action Plans:** We will develop and implement a monitoring plan to cover Pathology Department key revenue cycle responsibilities. **Action Plan Owners:** Billing Operations Manager, Department of Pathology Department Administrator **Target Completion Dates:** April 30, 2022

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 audit. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

		Degree of Risk and Priority of Action
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.	**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 the 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 above 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.