Office of Internal Audit Services

UT Southwestern Medical Center

Patient Account Credit Balances Audit

Internal Audit Report 22:16

August 24, 2022

Table of Contents

Executive Summary

Background

Patient account credit balances occur when a financial activity creates a credit balance on the patient account. Examples of financial activities that cause credit balances include voided charges after claim adjudication, inaccurate contractual allowances, duplicate payments from an insurance company (i.e., payer), patient payment at time of service that is covered by the payer, payment posting errors, etc.

A key operation within UT Southwestern's revenue cycle department is to monitor, analyze, and review credit balances within Epic to determine the root cause. If the credit balance is due to an overpayment, the organization must refund the payer or patient. Once refunds are approved within Epic, they are processed in PeopleSoft and Accounts Payable generates checks to the original payee. Lack of internal controls within the credit balance monitoring and resolution processes can lead to potentially fraudulent activities including overpayments that are not identified and refunded timely or refunded to the inappropriate payee. This is especially important as it relates to government and patient refunds as there are state and federal regulations that organizations must adhere to. With strong internal controls and monitoring in place, an organization can maximize efficiency and ensure regulatory compliance. See Appendix A for a high-level visual representation of the credit balance and overpayment resolution process that involves multiple teams within the organization.

Scope and Objectives

The Office of Internal Audit Services, with the assistance of Protiviti (an Internal Audit co-source partner), performed a Patient Account Credit Balances Audit (the "audit"), as part the fiscal year (FY) 2022 Audit Plan. The audit focused on processes and controls in place that ensure professional billing (PB) credit balances are reviewed and overpayments are identified timely and accurately (in accordance with applicable state and federal requirements referenced in Appendix B), and existing controls are in place for monitoring the integrity of the process and issue resolution protocols.

The key areas of focus for the audit included the following:

- Validated that the professional billing (PB) credit balance resolution program (e.g., policies, procedures, training documentation, workflow methodology, quality assurance / control, etc.) is designed effectively for resolving credit balances completely, accurately, and timely in compliance with applicable laws / regulations.

- Analyzed unresolved credit balance reporting to stratify the at-risk populations across varying data elements, such as age, payer, credit reason, etc. to isolate a targeted sample of scheduled encounters for testing.

- Evaluated a sample of unresolved and resolved patient account credit balances to validate that existing controls are operating appropriately and are adhering to management's expectations, industry standards and best practices, and state regulatory requirements, specifically for government (including Managed Medicare / Medicaid) and self-pay credits.

- Ensured that existing reporting trends and monitors the aging of credit balances and refunding of overpayments. Reviewed the monitoring processes to ensure legal / regulatory compliance for refund timeliness.

Audit procedures included: review of policies, procedures, and other supporting documentation, interviews with stakeholders, analysis of monitoring reporting, and detailed testing of resolved and unresolved credit balances within Epic.

Conclusion

Overall, there are key controls in place for the segregation of duties within the credits and refund process, as well as the automated process to generate checks for identified overpayments to mitigate the risk of fraud. Opportunities exist to ensure the organization is in compliance with the federal and state regulations of quantifying and identifying credit balances, as well as, refunding identified overpayments by implementing explicit regulatory-specific policies and procedures, a denied refund request workflow, and government-specific workqueues. Additionally, there are opportunities to strengthen the overall governance of the credits process, including implementing a root causation analysis on a defined cadence to work with root cause owners to decrease the volume of credits, and developing effective reporting for at-risk credit balances, declined refund requests, and productivity.

Included in the table below is a summary of the observations along with the respective disposition of these observations within the UT Southwestern internal audit risk definition and classification process. See Appendix C for Risk Rating Classifications and Definitions.

Priority (0)	High (1)	Medium (3)	Low (0)	Total (4)

Key observations are listed below.

- **#1 Ensure Timely Identification and Quantification of Credit Balance Accounts** – Credit balance accounts are not consistently reviewed and/or reconciled timely by credit associates due to the lack of credit age prioritization, appropriate workqueue configuration, and regulatory-specific policies and procedures. This results in untimely identification and quantification of government and self-pay credit balances that is not in compliance with federal credit balance regulations and can result in financial penalties.

Executive Summary

- **#2 Enhance the Declined Refund Request Workflow** – Declined refund requests that are true overpayments are not consistently refunded timely. This results in refunds being potentially submitted to government payers and patients untimely and not in compliance with federal and state regulations. Additionally, staff do not consistently receive feedback on declined refund requests, leading to credit associates reworking an account without the proper feedback needed to resolve the account and/or the original credit associate not receiving the feedback from the QA Team.

- **#3 Perform Credit Root Cause Analysis and Implement Remediation Plans** – Open and resolved credit balances are not consistently analyzed to determine and trend root cause and owner (e.g., Registration, Billing, Cash Posting, etc.). Lack of formal analysis and remediation efforts lead to a potential risk of increased volume of credits due to operational and payer related issues.

- **#4 Improve Credits Reporting, Trending, and Management Monitoring** – Epic reporting is not developed to effectively identify and trend governmental and self-pay at-risk credits, declined refund requests, and associate productivity. This limits leadership's ability to identify high-level trends for open credits, rejected refund requests, as well as training and education opportunities.

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

Sincerely,

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

Audit Team:
Caroline Znaniec, Managing Director, Protiviti
Jarod Baccus, Director, Client and Engagement Quality Assurance Leader, Protiviti
Joe O'Malley, Senior Manager and Engagement Lead, Protiviti
Allison Ritchie, Manager, Protiviti
Sarah Wildermuth, Senior Consultant, Protiviti

cc: Martin Anibaba, Manager, Office of Internal Audit Services
Holly Crawford, Executive Vice President, Business Affairs
Blake Deatherage, Manager, Medical Group Financial Affairs
Cindi Donahue, Manager, Health System Information Resources
Faith Durant, Assistant Director, Medical Group Revenue Cycle
Pat Eddington, Manager, Academic & Administrative Information Resource Operations
Kathryn Flores, Assistant Vice President, Academic & Administrative Information Resource Operations

Mandy Horn, Assistant Director, Accounting and Fiscal Services
Kelly Kloeckler, Associate VP, Revenue Cycle Operations
Teresa Labbe, Internal Auditor II, Office of Internal Audit Services
Michael Laukaitis, Director, Revenue Cycle Quality Assurance and Analytics
Sharon Leary, Assistant VP, Accounting and Fiscal Services
Jodi Levy, Assistant VP, Academic & Administrative Information Resource Operations
Chris Matta, Director, Health System Information Resources
Cassandra Maxie, Assistant Director, Revenue Cycle Cash Management
Tim McKeen, Information Resources, Chief Technology Officer
Mark Meyer, Chief Financial Officer, Health Systems
Amber Meyer, Clinical Practice Manager, Internal Medicine
Robin Miller, Director, Academic & Administrative Information Resource Operations
Heather Mishra, Associate VP, Academic & Administrative Information Resource Operations
Terry Neal, Director, Decision Support
Adolfo Ortuzar, Assistant Vice President, Academic & Administrative Information Resource Operations
Russell Poole, Institutional Vice President & Chief Information Officer, Academic & Administrative Information Resource Operations
Natalie Ramello, Chief of Compliance and Vice President, Office of Compliance
Mark Rauschuber, Associate Vice President & Chief Information Officer, Academic & Administrative Information Resource Operations
John Schmidt, Director, Accounting and Fiscal Services
Michael Serber, VP Finance and Institutional CFO, Financial Affairs Office
Scott Smith, Director, Revenue Cycle Operations
Wathen Strong, Director, Revenue Cycle Operations
Stephanie Swanson, Director, Medical Group Financial Affairs
LaTarsha Towers, Manager, Revenue Cycle Cash Management
John Warner, M.D., Executive Vice President, Health System Affairs
Michele Wingate, Associate Vice President, Medical Group Financial Affairs

Detailed Observation and Action Plans Matrix

UTSouthwestern Medical Center

Observation	Recommendation	Management Response
Risk Rating: High 🟡 **1. Ensure Timely Identification and Quantification of Credit Balance Accounts** Credit balance accounts are not consistently reviewed and/or reconciled timely by credit associates due to the lack of credit age prioritization, appropriate workqueue configuration, and regulatory-specific policies and procedures. This results in potential untimely identification and quantification of government and self-pay credit balances and potential resolution of applicable overpayments which can result in financial penalties. Centers for Medicare and Medicaid Services (CMS) federal regulations state healthcare provider organizations must identify and quantify credits within 180 days of financial activity. CMS guidelines on timely identification were utilized to quantify the at-risk backlogs below. The federal guidelines are outlined in Appendix B. As of August 2022, the volume of unresolved at-risk credits (aged > 180 days) was: • Government (including government managed care): 24,649 of 30,186 (~82%) transactions totaling $2.7M. • Self-Pay: 21,673 of 46,418 (~47%) transactions totaling $4.8M.	1. Dedicate resources to prioritize unresolved at-risk government and self-pay credits. 2. Reconfigure government workqueue logic to include open credits for government managed care payers. 3. Establish guidelines for associates to prioritize assigned workqueues by both age and dollar amount. 4. Develop formalized policies and procedures that outline management expectations and credit analysis workflows, including the regulatory timeframes for both government and self-pay payers. 5. Evaluate logic for all insurance credit workqueues to ensure appropriate routing and configuration. 6. Work with IR to create a score for all accounts within the credit workqueues for associate prioritization.	**Management Action Plans:** 1. We will align resources to stabilize the volume of open, outstanding at-risk credits for government and self-pay payers. – Target Date: 11/30/2022 2. We will submit a ticket to IR to update the government credits workqueue logic to include government managed care payers. – Target Date: 10/31/2022 3. We will create training documents to ensure that associates are prioritizing accounts by both age and dollar amount throughout the week. – Target Date: 10/31/2022 4. We will create formal policies and procedures that include management's expectations, workflows, and regulatory timeframe requirements. – Target Date: 11/30/2022 5. We will research with Epic if credit workqueues can incorporate a score for accounts. – Target Date: 10/31/2022 6. We will work with IR to review the logic for all credit workqueues to validate that they are appropriate. – Target Date: 11/30/22 **Action Plan Owner(s):** Assistant Director, Revenue Cycle Cash Management (All)

Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
Associates are instructed to prioritize open credit balances by dollar amount and credit creation date, but process understanding interviews noted that associates sort by dollar amount, potentially leading to aged low dollar accounts not being identified and quantified timely. Additionally, government managed care credit balances are configured to route to the non-government payer credit workqueue, rather than the government workqueue, and therefore, may not be reviewed and reconciled in accordance with CMS guidelines. Furthermore, there are opportunities to further develop formalized policies and procedures or training documents that educate associates on the regulatory timeframes to ensure government and self-pay credits are reviewed and resolved timely.		Manager, Revenue Cycle Cash Management (All) Manager, IR Health Revenue Cycle (2, 5, 6)

Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium **2. Enhance the Declined Refund Request Workflow** Declined refund requests that are true overpayments are not consistently refunded timely. This results in refunds being potentially submitted to government payers and patients untimely and not in compliance with federal and state regulations. Additionally, staff do not consistently receive feedback on declined refund requests, leading to credit associates reworking an account without the proper feedback needed to resolve the account and/or the original credit associate not receiving the feedback from the QA Team. The federal and state guidelines state that an organization must refund identified overpayments to government payers within 60 days and self-pay payers within 30 days. The federal and state requirements are outlined in Appendix B. When a refund request is declined (e.g., incorrect amount, incorrect formatting of the request, etc.), Epic is configured to repopulate the encounter back into the original credits workqueue for review without an indicator that it was rejected. Furthermore, the QA Team does not consistently include a detailed explanation as to why the request was denied within Epic but sends an email to the credits team lead and manager. As of August 2022, there were 1,762 refund requests totaling $104K pending QA review to approve or deny the request.	1. Use an existing workqueue for denied refund requests and create guidelines for the credits team to prioritize this workqueue. 2. IR will update the routing logic for the existing workqueue to include denied refund requests. 3. Implement guidelines for the QA Team to follow when denying a refund request to include an explanation for the denied request. Include, evaluating Epic smart phrases to decline refund requests that include detailed information.	**Management Action Plans:** 1. We will submit a ticket to IR to evaluate if it is possible to utilize an existing workqueue to populate denied refund requests. – Target Date: Completed 2. IR will determine if the logic for the supervisor workqueues can be updated to route declined refund requests. – Target Date: 09/30/2022 3. We will create guidelines for the credits team to prioritize and work accounts within the denied refund requests workqueue. – Target Date: 11/30/2022 4. We will update the QA Team's workflow to include an explanation for denied refund requests and assess leveraging Epic smart phrase functionality for this update. – Target Date: 10/31/2022 **Action Plan Owner(s):** Assistant Director, Revenue Cycle Cash Management (1, 3, 4) Manager, Revenue Cycle Cash Management (1, 3, 4) Manager, IR Health Revenue Cycle (2)

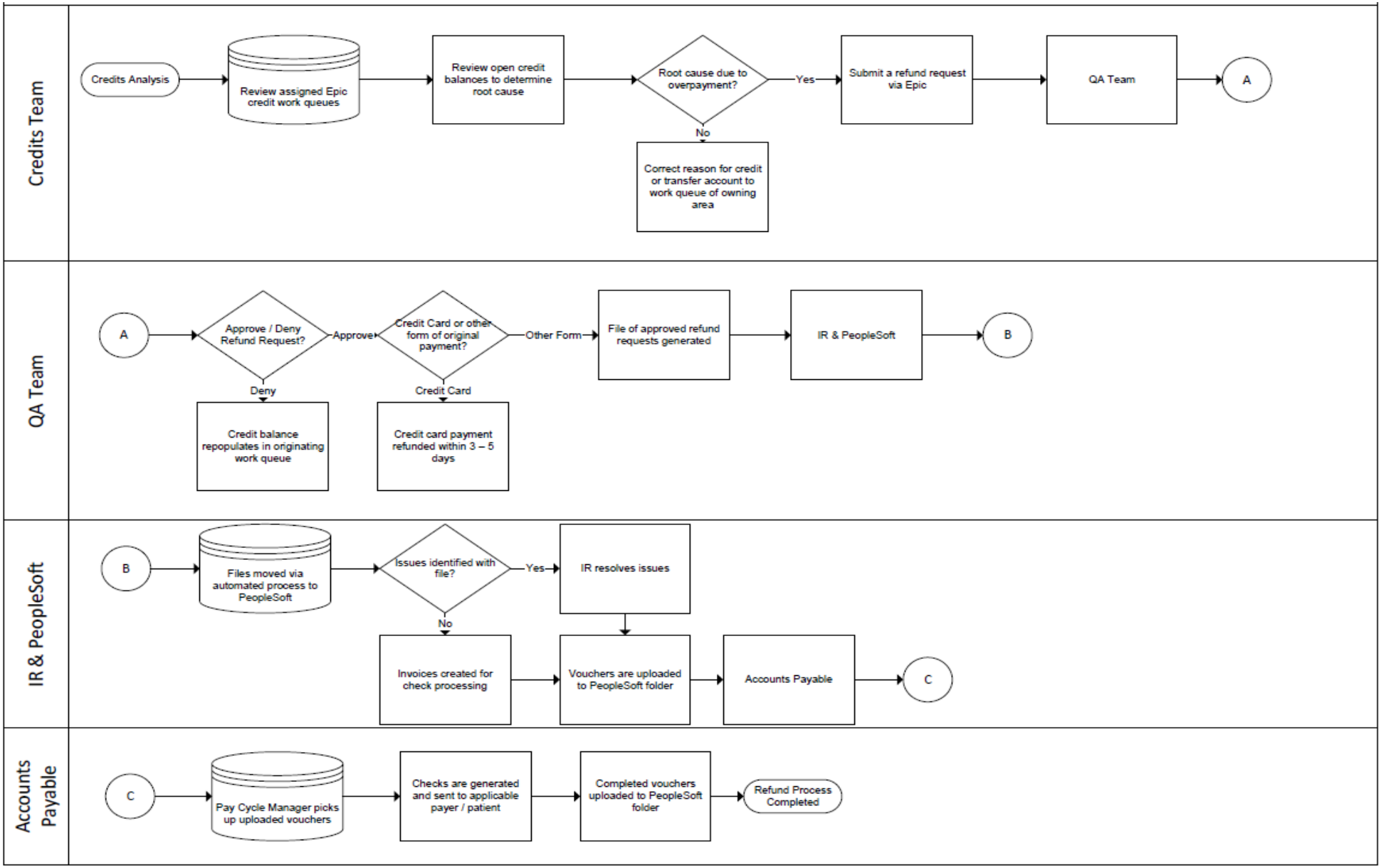
Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 **3. Perform Credit Root Cause Analysis and Implement Remediation Plans** Open and resolved credit balances are not consistently analyzed to determine and trend root cause and owner (e.g., Registration, Billing, Cash Posting, etc.). Lack of formal analysis and remediation efforts lead to a potential risk of increased volume of credits due to operational and payer related issues. The daily Epic PB credits dashboard summarizes the credit reason for all open credits; however, leaders do not regularly evaluate this to identify trends and work with the root cause owners on remediation plans. As of August 2022, the highest volume credit reason was 'Extra ins payments and adjustments' (~43% by volume). A summary of credit balance root causes is summarized within Appendix D; however, examples of manual errors leading to credit balances include: • Registration coordination of benefits errors where the incorrect primary payer was billed. • Manual cash posting errors. • Charge correction after initial claim submission.	1. Analyze the PB credits dashboard monthly to identify credit balance trends and partner with root cause owning areas to implement remediation plans. 2. Document formal action plans and due dates for identified root cause issues that are increasing the volume of credits.	**Management Action Plans:** 1. We will implement a routine analysis and root cause identification of the PB credits dashboard. – Target Date: 10/31/2022 2. We will work with the root cause owning areas during the monthly 'meeting of the minds' to formalize action plans to remediate issue(s) increasing the volume of credit accounts. – Target Date: 12/31/2022 **Action Plan Owner(s):** Assistant Director, Revenue Cycle Cash Management (All) Manager, Revenue Cycle Cash Management (All)

Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 **4. Improve Credits Reporting, Trending, and Management Monitoring** Epic reporting is not developed to effectively identify and trend governmental and self-pay at-risk credits, declined refund requests, and associate productivity. This limits leadership's ability to identify high-level trends for open credits, rejected refund requests, as well as training and education opportunities. • The PB credits dashboard displays open credits by payer, but when there is an undistributed payment received (i.e., a payment that is not associated to an encounter), the payer is listed as 'blank.' This limits leadership's ability to monitor the credit balance review process for self-pay and governmental payers, leading to potential untimeliness resolution. • There is not a dashboard or report that quantifies and summarizes the volume of denied refund requests, preventing leadership from identifying training and education opportunities. • Epic calculates productivity by capturing all associate activity, including activities that do not resolve the credit balance (i.e., deferrals, workqueue transfers, etc.). This limits leadership ability to accurately track quality productivity.	1. Evaluate including the payer information within the credits dashboard for credits that are the result of an undistributed payment. 2. Develop tracking and trending mechanisms for denied refund requests, including a field to categorize why the request was denied. 3. Perform a return-on-investment analysis with Epic of developing a productivity score for credits associates based on account activity. 4. Determine credit resource needs based on volume of open credits and associate productivity.	**Management Action Plans:** 1. We will develop a clarity report to trend the volume of open government and self-pay credit balances. – Target Date: 10/31/2022 2. We will start tracking and trending denied refund requests and include a column for the reason why the request was denied. – Target Date: 12/31/2022 3. We will review with Epic the feasibility of scoring credit productivity based on account activities and do a cost-benefit analysis on this approach to productivity. – Target Date: 11/30/2022 4. We will utilize the new productivity dashboard (if implemented) to evaluate credit resource needs based on volume and targets. – Target Date: 01/01/2023 **Action Plan Owner(s):** Director, Revenue Cycle Quality Assurance and Analytics (1) Assistant Director, Revenue Cycle Cash Management (All) Manager, Revenue Cycle Cash Management (All) Manager, IR Health Revenue Cycle (3)

Appendix A – Credit Analysis and Refund Process Flow



Appendix B – Credit / Refund Federal and State Requirements

Federal / State Requirement	Definition	Health Organization Risk
Medicare Program Reporting and Return of Overpayments Final Rule (42 CFR Parts 401 and 405) False Claims Act (31 USC § 3729) Patient Protection and Affordable Care Act Section 6402(a)	The Centers for Medicare & Medicaid Services (CMS) has published a final rule that states a provider has identified an overpayment if the provider (a) has, or should have through the exercise of reasonable diligence, determined that the provider has received an overpayment, and (b) has quantified the amount of the overpayment. According to CMS, a timely, good faith investigation of credible information is, at most, 6 months from receipt of the credible information, except in extraordinary circumstances. The Final Rule has published a final rule that requires Medicare Parts A and B health care providers and suppliers to report and return overpayments by the later of the date that is 60 days after the date an overpayment was identified, or the due date of any corresponding cost report, if applicable.	Government payer credit balances are not reviewed within 180 days of the date that the credit was created in the system (Observation 1). Self-pay credit balances are not reviewed within 180 days of the date that the credit was created in the system, per CMS guidance on timely identification (Observation 1). Identified government payer (including managed Medicare and Medicaid) credits are not refunded to the payer within 60 days of identification (Observation 2).
Act S.B. No. 1731, Texas Legislature, Sec 101.352	If a consumer overpays a facility, the facility must refund the amount of the overpayment not later than the 30th day after the date the facility determines that an overpayment has been made. This subsection does not apply to an overpayment subject to Section 1301.132 or 843.350, Insurance Code.	For organizations in the state of Texas, identified self-pay credits are not refunded to the patient within 30 days of identification (Observation 2).

Appendix C – 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:

	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.

Appendix D – Credit Dashboard Summary

Below is the summary of open credits that are owned by the credits team based on the PB Credits Dashboard:

- The top reason for open credits by quantity is 'extra ins payments and adjustments,' representing ~43% of the total by count.
    - Activities that can result in a credit for this reason include, but are not limited to, coordination of benefits error where the incorrect primary payer was billed, secondary payer paying as primary, manual posting errors by cash posting, charges corrected, etc.
- The top reason for open credits by dollar amount is 'no balance due,' representing ~19% of the total by dollar amount. This credit reason indicates that the patient does not have a balance due after insurance processed the claim.
    - Activities that can result in a credit for this reason include, but are not limited to, encounter has multiple coverages, encounter has hospital balance, over collected pre-payment, etc.

Credit Reason	Count	% of Total (Count)	Dollar Amount	% of Total ($)
Charge voided/reposted [3]	14556	23%	$ 1,124,063.87	11%
Extra ins payments and adjustments [20]	34169	43%	$ 1,664,136.44	16%
For Later Distribution [2]	2465	1%	$ 587,320.09	6%
No Balance Due [5]	17733	6%	$ 1,968,354.20	19%
Payment not associated with charge [22]	14230	15%	$ 1,896,055.14	19%
Posted with remittance error [21]	4496	2%	$ 273,261.57	3%
Reason not determined [99]	7844	2%	$ 1,228,724.92	12%
User intervened [6]	17633	9%	$ 1,477,094.80	14%
Grand Total	**113126**	**100%**	**$ 10,219,011.03**	**100%**