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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

Committee Meeting: 11/10/2011

Board Meeting: 11/10/2011
Austin, Texas

Brenda Pejovich, Chairman
Paul L. Foster, Vice Chairman
Alex M. Cranberg
Wallace L. Hall, Jr.

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<tr><td>A.</td><td>CONVENE</td><td>*2:30 p.m.*
Chairman Pejovich</td><td></td><td></td></tr>
<tr><td>B.</td><td>RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551</td><td></td><td></td><td></td></tr>
<tr><td></td><td>Personnel matters relating to appointment, employment, evaluation, assignment, duties, discipline, or dismissal of officers or employees - *Texas Government Code* Section 551.074</td><td></td><td></td><td></td></tr>
<tr><td></td><td>**U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System Administration and institutional employees involved in internal audit and compliance functions**</td><td>*Mr. Chaffin*
Mr. Plutko</td><td>Not on Agenda</td><td></td></tr>
<tr><td>C.</td><td>RECONVENE IN OPEN SESSION FOR ACTION ON EXECUTIVE SESSION ITEM, IF ANY, AND TO CONSIDER AGENDA ITEMS</td><td></td><td></td><td></td></tr>
<tr><td>1.</td><td>**U. T. System Board of Regents: Approval of the U. T. Systemwide Annual Internal Audit Plan for Fiscal Year 2012**</td><td>*2:50 p.m.*
Action
Mr. Chaffin</td><td>**Action**
Chairman Pejovich</td><td>22</td></tr>
<tr><td>2.</td><td>**U. T. System: Report on Compliance Programs at the U. T. System health institutions**</td><td>*2:55 p.m.*
Report/Discussion
Mr. Plutko
Ms. Jessica L. Quinn, UTMDACC
Mr. Dieter Lehnortt, UTSMC
Ms. Karen K. Parsons, UTHSC-H
Mr. Tobin Boenig, UTMB
Ms. Gayle Knight, UTHSC-SA
Ms. Donna Martin, UTHSC-T</td><td>Not on Agenda</td><td>25</td></tr>
<tr><td>D.</td><td>ADJOURN</td><td>*3:15 p.m.*</td><td></td><td></td></tr>
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1. **U. T. System Board of Regents: Approval of the U. T. Systemwide Annual Internal Audit Plan for Fiscal Year 2012**

RECOMMENDATION

Mr. Charles Chaffin, Chief Audit Executive, recommends approval of the proposed Fiscal Year 2012 U. T. Systemwide Annual Internal Audit Plan (Plan). Development of the Plan is based on risk assessments performed at each institution. Implementation of the Plan will be coordinated with the institutional auditors. The Plan's executive summary is on Pages 23 - 24. The full Plan was mailed to all Regents prior to the meeting, and is available upon request.

BACKGROUND INFORMATION

Institutional audit plans, compiled by the internal audit departments after input and guidance from the U. T. System Audit Office, the Offices of Academic or Health Affairs, and the institution's management and institutional Internal Audit Committee, were submitted to the respective institutional Internal Audit Committee and institutional president for review and comments. Additionally, the institutional audit plans were presented and discussed at the U. T. System Administration Internal Audit Committee meeting held on September 7, 2011. Also, the Chief Audit Executive provided feedback by conducting audit hearings with each institution.

After the review process, each institutional Internal Audit Committee formally approved its institution's audit plan.

The University of Texas System
Systemwide Internal Audit Program
Fiscal Year 2012 Annual Audit Plan
Executive Summary

The University of Texas (UT) Systemwide fiscal year (FY) 2012 Internal Audit Plan (FY 2012 Audit Plan) is a blueprint of the internal audit activities that will be performed by the internal audit function throughout the System in FY 2012.

The process of preparing the audit plans is risk-based and ensures that areas and activities specific to each institution with the greatest risk are identified to be audited. Individual annual audit plans were prepared at UT System Administration and each institution in July and August. The System Audit Office, the Office of Academic or Health Affairs, and the institution's management and Audit Committee provided input and guidance on the audit plans. Additionally, the Chief Audit Executive provided direction to the internal audit directors both prior to the preparation of the audit plans and through formal feedback through "audit hearings" with each institution.

The institutional annual audit plans were reviewed for the possibility of assurance work done by external entities during the audit year, such as the State Auditor's Office (SAO), external audit firms, federal auditors, etc. Where appropriate, other assurance work was relied upon to reduce the internal audit resources needed.

After the review process, each institutional Internal Audit Committee formally approved its institution's annual audit plan. At the November 2011 meeting, the FY 2012 Audit Plan will be formally presented to the Audit, Compliance, and Management Review Committee and the UT System Board of Regents for consideration for approval.

The efforts of the internal audit function continue to focus on adding value through performance of audits in high-risk areas, including financial reporting, patient revenue and patient charge capture, construction, information technology and security, and research administration. The internal audit function also provides management value through consulting projects and special investigations.

The FY 2012 Audit Plan directs internal audit resources on priority audits and projects allocated among the categories listed below to address the risks of UT System. However, with potential changes in priorities that may occur during the fiscal year, institutions may request approval from their respective president and/or internal audit committee to change the priority budget for audits and projects or reallocate priority budget hours among the various categories.

Audit Area Categories	Priority Budget Audit Hours	% of Priority Budget Audit Hours
Financial	19,391	16%
Operational	31,501	27%
Compliance	25,241	21%
Information Technology	21,935	19%
Follow-up	6,110	5%
Projects	13,860	12%
Total	**118,038**	**100%**

Prepared by: U. T. System Internal Audit Program
Consolidated by: U. T. System Audit Office
Date: October 2011

The University of Texas System
Systemwide Internal Audit Program
Fiscal Year 2012 Annual Audit Plan
Executive Summary

FY 2012 Total Budgeted Priority Audit Plan Hours by Institution:

	Financial	Operational	Compliance	Information Technology	Follow-up	Projects	Total Priority Budget Hours*
U. T. System Administration	3,600	6,025	2,050	3,275	900	1,900	17,750
Large Institutions:							
U. T. Austin	1,000	1,700	4,825	2,175	200	2,131	12,031
U. T. Southwestern Medical Center	1,400	1,400	3,650	2,000	750	1,800	11,000
U. T. Medical Branch at Galveston	1,200	2,350	1,560	1,750	300	1,000	8,160
U. T. Health Science Center - Houston	1,335	1,760	1,655	1,510	300	734	7,294
U. T. Health Science Center - San Antonio	980	2,100	1,260	1,220	600	440	6,600
U. T. M. D. Anderson Cancer Center	3,100	4,982	1,400	2,305	850	475	13,112
Subtotal	9,015	14,292	14,350	10,960	3,000	6,580	58,197
Mid-size Institutions:							
U. T. Arlington	750	775	1,255	1,000	300	1,240	5,320
U. T. Brownsville	520	1,100	751	775	280	750	4,176
U. T. Dallas	1,190	1,700	1,315	1,210	200	275	5,890
U. T. El Paso	1,460	3,044	1,100	2,150	400	310	8,464
U. T. Pan American	700	1,100	1,050	975	250	900	4,975
U. T. San Antonio	1,075	2,325	1,620	780	400	1,080	7,280
Subtotal	5,695	10,044	7,091	6,890	1,830	4,555	36,105
Small Institutions:							
U. T. Permian Basin	310	-	430	180	50	80	1,050
U. T. Tyler	350	680	240	330	150	425	2,175
U. T. Health Science Center - Tyler	421	460	1,080	300	180	320	2,761
Subtotal	1,081	1,140	1,750	810	380	825	5,986
TOTAL	**19,391**	**31,501**	**25,241**	**21,935**	**6,110**	**13,860**	**118,038**
Percentage of Total	**16%**	**27%**	**21%**	**19%**	**5%**	**12%**	**100%**

* Reflects total hours budgeted for priority audits/projects (subject to approval by the Audit, Compliance, and Management Review

Committee), which represents approximately 80 - 85% of total budgeted hours for the FY 2012 Systemwide Annual Audit Plan.

Prepared by: U. T. System Internal Audit Program
Consolidated by: U. T. System Audit Office
Date: October 2011

2.   U. T. System: Report on Compliance Programs at the U. T. System health institutions

REPORT

The following presenters will report on the compliance programs at the U. T. System health institutions using the PowerPoint presentation set forth on Pages 26 - 39.

Mr. Larry Plutko, Systemwide Compliance Officer, U. T. System

Ms. Jessica L. Quinn, Assistant Vice President and Chief Compliance Officer,
     U. T. M. D. Anderson Cancer Center

Mr. Dieter Lehnortt, Assistant Vice President and Compliance Officer,
     U. T. Southwestern Medical Center

Ms. Karen K. Parsons, Assistant Vice President and Chief Compliance Officer,
     U. T. Health Science Center - Houston

Mr. Tobin Boenig, Associate Vice President and Chief Compliance Officer,
     U. T. Medical Branch - Galveston

Ms. Gayle Knight, Assistant Vice President for Regulatory Affairs and Compliance,
     U. T. Health Science Center - San Antonio

Ms. Donna Martin, Information Security Officer and Chief Compliance Officer,
     U. T. Health Science Center - Tyler

Compliance Programs at the U. T. System Health Institutions

THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

November 2011

Audit, Compliance, and Management Review Committee
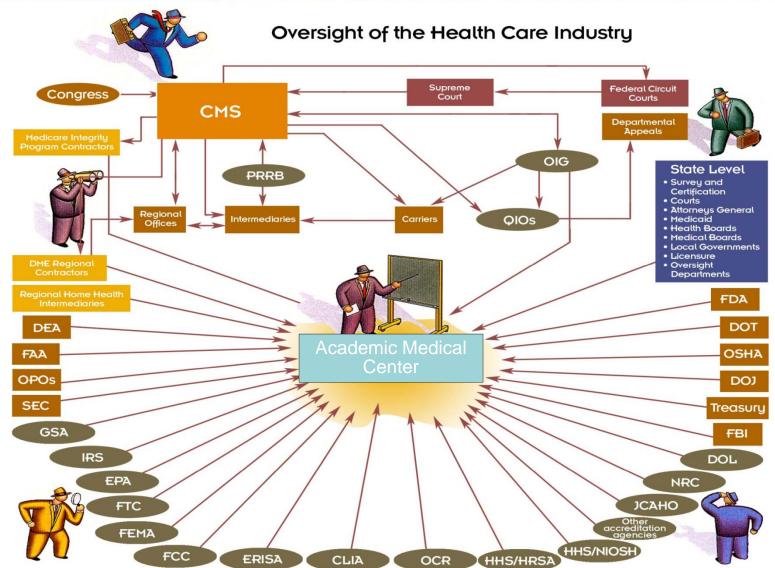
Purpose of Compliance Programs

- Compliance Programs are engaged in:

  ➢ identifying risks,

  ➢ developing enhancements to ongoing monitoring efforts, and

  ➢ establishing long-term relationships/partnerships with operational units/departments to ensure risks are appropriately mitigated.

- Compliance is a long-term effort and not a snapshot audit of a particular risk at a given moment in time.

Environment - Identification of Risks

- What is the universe?

    - External factors:
        - Regulatory
        - Enforcement activity
        - Public viewpoint
        - Market area activity
    - Internal factors:
        - Culture
        - Enforcement activity
        - Previous reviews/audits/monitoring
        - Risk assessments

Health Care Regulatory Environment

Oversight of the Health Care Industry

Collaborate with Key Departments

Gather information about identified risks:

- Review documents
    - Business operations
    - Enterprise risk assessments
    - Legal and regulatory activities
    - Compliance case logs
    - Industry legal and regulatory trends
    - Employee ethics/compliance awareness surveys

- Surveys: validate whether the initial list is correct
    - Identify risk priorities and determine which parts of the business face specific risks

- Interviews of key stakeholders throughout the organization provide opportunity to probe and spark insights

Medical Billing - Example of High Risk Area

Medical Billing – Key High Risk Area:

- $7.7 billion in billing claims for six health institutions
- $4.3 billion annual revenues from clinical enterprise
- 5.2 million outpatient visits
- 1.5 million hospital days
- Over 7,000 providers and 50,000 total employees
- Approximately 10 million billing claims annually

Medical Billing - Example of High Risk Area (cont.)

THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

- $35 million settlement announced in University of Washington billing case on May 1, 2004

"The settlement is the largest since federal auditors began investigating billing practices throughout the country ten years ago. The University of Pennsylvania paid the second largest penalty, $30 million, in 1995."

– The Seattle Times

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Medical Billing Compliance Advisory Committee

- Executive Vice Chancellor for Health Affairs is responsible party for billing compliance programs

- Established a U. T. System Medical Billing Compliance Advisory Committee
  - U. T. System Office of Health Affairs is actively engaged
  - Directors of billing compliance programs are members
  - Pursues a strategic agenda
  - Develops and follows an annual work plan

Billing Compliance Software Solutions

- Leveraged interest in software to facilitate and streamline billing compliance activities for professional services:

    - MDaudit™ Professional billing review software used by all U. T. System health institutions since 2007
        - Board of Regents, through the Office of Health Affairs, covered one-third of the startup costs
        - Systemwide approach reduced license, implementation, and ongoing maintenance fees for every participating institution

    - Development of MDaudit™ Professional Guiding Principles

    - Optimization strategies

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MDaudit™ Professional

Results:

- Increased productivity for billing compliance reviews
- Improved education efforts
- Enhanced management of billing review cycle and involved employees
- Quicker identification, escalation, and tracking of potential billing compliance issues
- Improved reporting capabilities with the ability to track metrics from year to year

MDaudit™ Professional (cont.)

Other Benefits:

- Consistency across reports
- Easy identification of "overpayments" and "underpayments"
- Provider expectations being met (e.g., feedback)
- Competitive nature of reviewed providers enhances the culture of compliance for the organization and the U. T. System

MDaudit™ Guiding Principles

- *Oct. 5, 2000 Office of Inspector General Compliance Guidance for Physician Practices, Federal Register Vol. 65, No. 194*
- Baseline review conducted within 3 months of provider start-up
- Review of 5-10 encounters for each billing provider
- Review conducted at least annually - more frequent if problems identified
- Targeted sample selection (high $ / high volume - risk approach)

MDaudit™ Guiding Principles (cont.)

- Prompt return (within 60 days) of overpayments (new federal requirements)

- Qualified reviewers and access to medically trained personnel, as needed, during the review

- Documented corrective action plan for repetitive non-compliance

- Appropriate communication of results to supervisors and other accountable parties

- Focused education, including tailored training based on results of the review

Looking To The Future

- Continue networking of MDaudit™ "Super Users" to promote best practices and software functional enhancements

- Explore new strategies to leverage technology investment

- Implementation of MDaudit™ Hospital