

UTSouthwestern
Medical Center™

Office of Institutional Compliance
and Audit Services

Dermatology Charge Capture & Reconciliation Assessment

Internal Audit Report 24:13

July 18, 2024



Executive Summary

Charge capture is the documentation, charging, posting and reconciliation of charges for services rendered/items provided to a patient. A formalized charge capture process is an essential component of the Revenue Cycle function and helps to verify that all services provided to patients are accurately documented prior to billing. This process helps hospitals to maximize their revenue by capturing all the charges associated with patient care to prevent revenue leakage or missed revenue opportunities, which can significantly impact the financial health of a hospital. Accurate revenue charge capture also ensures compliance with regulatory requirements and reduces the risk of billing errors and is critical to financial sustainability.

This is a recurring audit on the annual audit plan. The Dermatology Department was selected due to the decentralized charge capture process.

Audit Results

The Office of Institutional Compliance & Audit Services (OICAS) conducted an audit of the charge capture and reconciliation process for the Department of Dermatology ambulatory clinics. Overall, processes are in place to accurately capture charges, and we recognized multiple strengths for these processes. Data analytic testing noted no exceptions related to:

- Drug and drug administration charges
- Post-operative charges in the post-operative global period
- Established patient charges for an established patient visit on the schedule
- Procedure charge for a procedure visit on the schedule
- Post-operative charges with a post-operative visit on the schedule
- Procedure charge related to a specific diagnosis

However, there are opportunities for improvement to ensure accurate capturing of charges.

A summary of observations is outlined below:

AREA	OPPORTUNITIES	RISK RATING
<i>Dermatology Charge Capture</i>	<ul style="list-style-type: none"> • Post-operative charges out of the post-operative global period • New patient visits not charged correctly 	MEDIUM
<i>Policies and Procedures</i>	<ul style="list-style-type: none"> • Policies and procedures missing elements • Alignment with current processes. 	LOW

AREA	OPPORTUNITIES	RISK RATING
Modifier 25	<ul style="list-style-type: none"> Evaluation & Management (E&M) or procedure charge missing when modifier 25 was used 	LOW

Further details are outlined in the Detailed Observations section. Less significant issues were communicated to management.

Management Summary Response

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before November 30, 2024.

Appendix A outlines the objective(s), scope, methodology, stakeholder list, and audit team for the engagement.

Appendix B outlines the Risk Rating Classifications and Definitions.

The courtesy and cooperation extended by the personnel in the Department of Dermatology are appreciated.

Natalie Ramello

Natalie A. Ramello, JD, CHC, CHPC, CHRC, CHIAP
Vice President, Chief Institutional Compliance Officer & Interim Chief Audit Executive
Office of Institutional Compliance & Audit Services
July 18, 2024

DETAILED OBSERVATIONS

Dermatology Charges Not Accurately Captured

Charges related to services provided were not always accurately documented and validated.

MEDIUM

1. Post-operative charges out of the post-operative global period	Recommendation	Management Action Plan
<p>Leading business practices dictate that charges related to dermatology services provided be accurately documented, validated, and submitted for billing in a timely manner.</p> <p>Data analytics identified 294 encounters which were outside of the post-operative global period but had a post-operative charge. Five accounts were judgmentally selected for testing. Five of five accounts tested (100%) contained a post-operative charge but were out of the global period. Based on the average charge, the total estimated charges missed in the sample tested were \$1,490.</p> <p>The average E&M or procedure charge for the entire population tested was \$298. An extrapolation calculation was used to determine the error rate of 100% across the population of identified encounters (294 encounters) and estimated the total charges missed for the full population of six months to be \$87,612.</p>	<p>The Dermatology Department should correct the five patient claims which contained a post-operative charge but were outside of the post-operative global period and rebill as applicable.</p> <p>The Dermatology Department should also review the data analytic report provided to determine whether the items included are exceptions and take corrective action as necessary.</p>	<p>Action Plan Owner: Oslene St. Valle-Mclorren</p> <p>Action Plan Executive: Joseph Merola, MD</p> <p>Due Date: 11/30/2024</p> <p><i>Management will review the 5 claims which contained a post-operative charge outside of the post-operative period and rebill as applicable.</i></p> <p><i>Management will also review the data analytic report to determine whether the items included are exceptions and take corrective action as necessary.</i></p>

2. New patient visits on the schedule without a new patient E&M charge	Recommendation	Management Action Plan
<p>Leading business practices dictate that charges related to dermatology services provided be accurately documented, validated, and submitted for billing in a timely manner.</p> <p>Data analytics identified 1,039 encounters which contained a new patient visit on the schedule but did not have a new patient E&M charge. A sample of ten items was judgmentally selected for testing. Two of the ten encounters tested (20%) did not accurately capture a new patient E&M charge.</p>	<p>The Dermatology Department should correct the two patient claims which were noted as a new patient visit on the schedule but did not contain a new patient E&M charge and rebill as applicable.</p> <p>The Dermatology Department should also review the data analytic report to determine whether the items included are exceptions and take corrective action as necessary.</p>	<p>Action Plan Owner: Oslene St. Valle-Mclorren</p> <p>Action Plan Executive: Joseph Merola, MD</p> <p>Due Date: 11/30/2024</p> <p><i>Management will correct the two patient claims which were noted as a new patient visit on the schedule but did not contain a new patient E&M charge and rebill as applicable.</i></p> <p><i>Management will also review the data analytic report to determine whether the items included are exceptions and take corrective action as necessary.</i></p>

Policies and Procedures		
<i>The Dermatology Billing Standard of Operation is missing documentation related to timing and other controls.</i>		
LOW		
3. Policies and procedures are missing key elements	Recommendation	Management Action Plan
<p>Leading business practices dictate that health systems maintain and regularly update policies and procedures to confirm all key areas and processes are formally documented.</p> <p>The controls to monitor open encounters and missing charges were not documented in a policy nor was it</p>	<p>The Dermatology Department should modify the existing policies to include the following:</p> <ul style="list-style-type: none"> Documentation of required timelines for completion of processes. 	<p>Action Plan Owners: Elizabeth Edwards Oslene St. Valle-Mclorren</p> <p>Action Plan Executive: Joseph Merola, MD</p>

<p>documented who would assume the role of monitoring the “open encounters and missing charges report” in the absence of the clinical manager.</p>	<ul style="list-style-type: none"> • Controls to monitor open encounters and missing charges. • Who would assume the role of monitoring the “open encounters and missing charges report” in the absence of the clinical manager. 	<p>Due Date: 11/30/2024</p> <p><i>Management will review and update policies and procedures to ensure documentation aligns with current processes and includes all key areas and processes.</i></p>
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Modifier 25 documentation
Encounters containing a modifier 25 were missing an Evaluation & Management (E&M) or procedure charge.

LOW

4. Modifier 25 missing E&M or procedure charge	Recommendation	Management Action Plan
<p>Leading business practices dictate that charges related to dermatology services provided be accurately documented, validated, and submitted for billing in a timely manner.</p> <p>Data analytics identified 33 encounters which indicated an E&M or procedure charge could be missing when a modifier 25 was utilized. A sample of three items was judgmentally selected for testing. Two of three encounters tested (67%) did not accurately capture an E&M or procedure charge when a modifier 25 was utilized. Based on the average charge, the total estimated charges missed based on the sample testing was \$1,592.</p> <p>The average E&M or procedure charge for the entire population tested was \$796. An extrapolation calculation was used to determine the error rate of the population of identified encounters (33 encounters) and estimated the total charges missed for the full population of six months to be \$17,512.</p>	<p>The Dermatology Department should correct the two patient claims which contained a modifier 25 but were missing a second E&M or a procedure charge and rebill as applicable.</p> <p>The Dermatology Department should also review the data analytic report to determine whether the items included are exceptions and take corrective action as necessary.</p>	<p>Action Plan Owner: Oslene St. Valle-Mclorren</p> <p>Action Plan Executive: Joseph Merola, MD</p> <p>Due Date: 11/30/2024</p> <p><i>Management will correct the two patient claims which contained a modifier 25 but were missing a second E&M or a procedure charge and rebill as applicable.</i></p> <p><i>Management will also review the data analytic report to determine whether the items included are exceptions and take corrective action as necessary.</i></p>

Appendix A

Objective(s), Scope, and Methodology:

The objective of the review is to determine whether systems and controls are functioning effectively, as intended, and delivering optimal results.

The scope period included activities of Dermatology Department from 07/01/2023 to 12/31/2023. The review included the charge capture process for the Dermatology Department charges. The review did not include an assessment of coding accuracy, an evaluation of medical necessity, nor a determination of compliance with billing-related regulatory guidance. Parkland Health and Hospital System billing was not included in the scope.

Our procedures included but were not limited to the following:

- Evaluating charge capture and charge reconciliation processes to assess adequacy of controls for charge timeliness, accuracy and compliance with regulations, policies, and procedures.
- Performed A data analytics of Dermatology Department charges.
- Testing whether charges were accurately captured and billed for Dermatology Department services.
- Testing the charge capture reconciliation process.

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Executive Sponsors:

Joseph Merola, MD, Professor and Chair

Key Stakeholder List:

Elizabeth Edwards, Department Administrator, Clinical Dermatology

Kathryn Flores, Assistant VP CIO University Hospital

Beth Guilliams, Manager Clinic, Dermatology

Kelly Kloeckler, Associate VP Revenue Cycle

Mark Meyer, Health System CFO

Dennis Pfeifer, Associate VP, CTO Health Systems

Oslene St. Valle-Mclorren, Manager Billing Operations, Dermatology

Audit Team:

Natalie Ramello, Vice President, Chief Institutional Compliance Officer & Interim Chief Audit Executive

Abby Jackson, Assistant Vice President of Compliance & Audit Operations and Privacy Officer

Louise Garrett, Director, Kodiak Solutions

Eric Jolly, Vice President, Kodiak Solutions

Philippa Krauss, Senior Project Manager - Audit

Michelle Slocum, Manager, Kodiak Solutions

Lou Ann Watson, Manager, Kodiak Solutions

Scot Murphy, Data Analytics Manager, Kodiak Solutions

Appendix B

Risk Classifications and Definitions

Each observation has been assigned a risk rating according to the perceived degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management. The following chart is intended to provide information with respect to the applicable definitions, color-coded depictions, and terms utilized as part of our risk ranking process:

Degree of Risk & Priority of Action	
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. 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.