



EMS Billing Audit Report

March 2014 – March 2015

CITY OF KILLEEN

A Report to the City
of Killeen Audit
Committee

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Report Summary

This audit was conducted to assess the quality of internal controls in the EMS Billing Division as well as to determine the level of compliance with rules and regulations. The audit overall revealed poor supervisory and front-line/input review procedures resulting in coding errors, billing errors, and lost revenue.

TABLE OF CONTENTS

BACKGROUND..... 1

OBJECTIVE, SCOPE, AND METHODOLOGY..... 2

AUDIT RESULTS..... 3

RECOMMENDATIONS..... 7

APPENDIX A: MANAGEMENT’S RESPONSE..... 8

GOVERNMENT AUDITING STANDARDS COMPLIANCE

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. I believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

AUDIT STAFF

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AUDIT REPORT HIGHLIGHTS

Why This Audit Was Conducted

This audit was conducted in order to assess the quality of internal controls and to determine the level of compliance with rules and regulations.

What Was Recommended

It was recommended that more thorough review procedures be implemented at the EMS personnel level as well as the EMS Billing personnel level. These review procedures should include supervisory review and front-line or input review levels.

EMS Billing Audit

Mayor and Council,

I am pleased to present this audit of the Killeen Fire Department's EMS Billing Division.

BACKGROUND

The City offers Emergency Medical Services (EMS) to the citizens of Killeen, and operates this service within the Fire Department. These services are subsequently billed to insurances and patients.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether EMS Billing has adequate controls in place to safeguard the City's assets with regard to billing EMS activity, and to ensure that rules and regulations are properly followed.

WHAT WAS FOUND

The audit revealed errors in input and billing as well as poor supporting documentation and review procedures. These can be partially attributable to learning a new software system as well as a change in staffing; however, in whole, the review procedures both at the supervisory level and the front-line/input levels were poor, resulting in coding errors, billing errors, and lost revenue. With proper review procedures, the errors noted in the audit could have been avoided.

I appreciate the cooperation and assistance I received from the Fire Department staff during this audit.

A handwritten signature in black ink that reads "Amanda R. Wallace".

Amanda R. Wallace, City Auditor

BACKGROUND

The City of Killeen operates an emergency medical (ambulance) service within the Fire Department. When services are rendered, they are billed to the patient's insurance or to the patient if insurance is not applicable. The fees that are billed are based on the ordinance found in Chapter 4 of the Killeen Code of Ordinances, last amended in 2004.

When the Fire Department receives an emergency call, an ambulance is dispatched. Upon arrival, the team will evaluate the situation and determine appropriate transport to include determining the closest appropriate facility. EMS personnel document each call in detail to include a narrative of each situation. Upon completion of these reports, EMS Billing staff reviews the accounts and assigns the proper codes to bill for the services performed.

Each account generates a 30-day, 60-day, 90-day and 120-day bill until such time that payment is received. If payment is not received after all bills have been generated, the account is referred to the City's contracted collection agency for further collection effort.

Oftentimes, payments that are received from insurance companies reflect dramatically reduced charges by amounts determined to be "disallowed" by the insurance companies. These disallowed amounts are not consistent across all insurances, and the City cannot plan for the amounts that will be disallowed. It is not reasonable to reduce the fees charged, as Killeen's ambulance fees are already below those of other peer cities, and it will not change the fact that insurances will continue to reduce their payments by a disallowed portion. Currently the City writes off these disallowed amounts as required. This invariably inflates the uncollectible amounts reported each year even though it is not a reflection of poor practices or poor collection efforts.

Total charges during the audit period were \$6.4 million, with bad debt write-offs totaling \$1.7 million and disallowed portions totaling \$1.2 million. Bad debt write-offs are amounts that have been referred to the City's contracted collection agency for further collection effort. The bad debt write-offs combined with the disallowed portions for a total uncollectible amount of \$2.9 million yields a 46% uncollectible rate during the audit period.

OBJECTIVE, SCOPE, AND METHODOLOGY

The EMS Billing audit was conducted in order to assess the quality of internal controls and the level of compliance with applicable rules and regulations. This audit was also included in the FY2015 Audit Plan as presented to the City Council and the Audit Committee.

Objective

The objective of the audit was to determine whether EMS Billing has adequate controls in place to safeguard the City's assets with regard to billing emergency medical services, and to ensure that rules and regulations are properly followed.

Scope

The audit scope included EMS Billing activity for the period March 2014 through March 2015.

Methodology

To accomplish the audit objective, the following steps were performed:

- Conducted interviews with EMS Billing and other Fire Department staff and obtained information on policies and procedures as well as staff responsibilities.
- Obtained and tested data from the Fire Department and the Finance Department relating to EMS Billing.
- Analyzed supporting documentation to determine whether the policies and procedures were adhered to.
- Analyzed policies and procedures to determine effectiveness.
- Considered fraud, waste, and abuse as related to the audit objective.

AUDIT RESULTS

The audit focused on processes and the implementation of those processes in billing for emergency medical services provided by the Killeen Fire Department. During the audit period, the City transitioned to a new EMS Billing software called ZOLL from TriTech. The audit testing (taking into account both softwares) yielded a total of 84 accounts that were reviewed for various purposes to include proper billing, coding, billing cycles, refunds, and insurance recoupments. Each of these tests revealed areas in need of improvement. There were also some observations noted that would be useful to management. These are included in this report following the findings.

The general testing of 50 accounts tested for proper documentation, billing, coding and billing cycles. An additional sample of 24 refunds was tested for accuracy and timeliness. Lastly, 10 insurance recoupments were reviewed for proper posting. The findings for each sample ultimately revealed a need to implement more thorough review procedures, both at the input/billing level as well as the supervisory level.

Finding 1: A non-emergency transport was provided to an individual against policy.

By ordinance, the City of Killeen offers only emergency transports, and does not offer non-emergency transports. However, during the course of the audit, but outside of the audit period, an incident was reported to the auditor in which the Fire Department provided a non-emergency transport to an individual. The individual was transported to Scott & White to pick up medication, and was not billed for this transport. The EMS unit was out of service for more than an hour for the transport, resulting in lost revenue.

Finding 2: ICD-9 codes are not applied properly on a consistent basis.

The coding structure that EMS Billing is required to use in coding its bills is called the International Statistical Classification of Diseases and Related Health Problems (ICD-9). The testing of these codes as applied to the bills during the audit period revealed a 10% error rate. All of these coding errors occurred in ZOLL, the new billing software, and could have been corrected or avoided if proper review procedures were in place.

Finding 3: Follow-up/review procedures are not effective.

There were two incidents revealed in the audit testing, for a 4% error rate, in which the accounts were not followed up or reviewed timely. These two accounts have been delayed in the next billing step by more than 5 months resulting in one account not being sent to collections timely and the other account not moving to the next appropriate billing cycle timely. Proper review is essential in order to avoid missing filing deadlines with the various insurances.

Finding 4: An emergency transport outside of Killeen city limits was not recorded correctly.

When Killeen EMS responds to a call that is outside Killeen city limits, EMS bills Bell County a \$200 surcharge for the call. In order to track this activity, these accounts are billed in a separate directory within the software where the surcharge is applied to bill Bell County appropriately, and the service charges are applied within a separate directory in order to bill insurances and patients for only the services rendered. These two directories should be mirror images of one another with the exception of the \$200 surcharge for each account. Audit testing revealed one instance in which an account was not billed identically between the two directories. An error correction was made in one directory, but not made in the other, causing a slight difference between the two.

Finding 5: "Treatment No Transports" entered as "No Transports".

By ordinance, the City responds to all emergency calls in the City. There are instances in which patients are not transported or treated, usually at the patient's request. These are entered into the EMS Billing software (ZOLL) as "No Transports", and these calls cannot be billed. There are also instances in which patients receive treatment from EMS personnel, but are not transported. These are entered into the EMS Billing software as "Treatment No Transports" and these calls are billed to the patient. Audit testing revealed two accounts that were entered into ZOLL incorrectly as "No Transports" instead of "Treatment No Transports", resulting in lost revenue.

Finding 6: Non-covered mileage was combined with the base rate and inappropriately billed to Medicare/Medicaid at the combined rate.

Medicare and Medicaid require the City to combine the Basic Life Support/Advanced Life Support charges with the miscellaneous charges on each account. Mileage and non-covered mileage (for transports to facilities that are further in distance than the nearest appropriate facility) should be billed on separate line items from the base charge, resulting in potentially three billed line items on each account. Audit testing revealed three instances in which non-covered mileage was combined with the base rates and billed to Medicare/Medicaid as such. Because Medicare and Medicaid only pay a set amount per call, the City did not receive any inappropriate revenues from these errors; however, these errors preclude the City from billing the patient for the non-covered mileage, resulting in lost revenue.

Finding 7: The Informed Decision Making form is not consistently completed properly.

EMS personnel is required to obtain a properly executed Informed Decision Making form for each call, which requires the patient to explicitly consent to transport, no transport, etc. In cases where patients are unable to sign or complete the forms due to their conditions, this should be documented on the forms and signed by an EMS staff member. Audit testing revealed eight instances, in which these forms were not completed properly, resulting in an

error rate of 16%. These errors could cause adverse action to be brought against the City. Staff should be trained to properly to complete the form and follow-up personnel actions should be taken when, upon supervisory review, the form is found to be incomplete.

Finding 8: There are negative account balances totaling \$9,449 and multiple refunds that were not properly issued.

Negative account balances can occur when payment is received for more than the amount due, resulting in the need to issue a refund, or when there is an error in posting. The majority of the negative account balances noted in the audit testing were a result of refunds due to insurances or patients. Negative account balances should be reviewed regularly to ensure that refunds are issued promptly and errors are addressed timely.

Additionally, the refund process for EMS Billing requires staff to post the refund in the patient's account within the EMS Billing software, and then create a requisition in the City's financial software to initiate payment. Upon payment being issued to the payee, EMS Billing staff must then record the payment information in the EMS Billing software. Audit testing revealed that 11 out of 24 refunds (46%) posted to the patients' accounts in the EMS Billing software were not actually issued to the payee via the City's financial software.

Finding 9: Insurance recoupments are not posted correctly.

Insurance companies will often issue payment, but upon further review of an account determine that the payment issued was incorrect. When this occurs, the insurance companies will "recoup" the initial payment and re-issue payment for a new amount. This is usually reflected on a subsequent payment to the City in which the net payment amount from the insurance company reflects the recoupment and the new payment amount. Audit testing revealed that 6 of 10 (60%) of the recoupments posted during the audit period were not posted correctly. Recoupments should simply be posted in the EMS Billing software exactly as presented by the insurance companies.

OBSERVATIONS

The following observations were noted in the audit, but were not necessarily considered findings. However, they are important for management to be aware of.

Observation 1: The current ordinance is outdated.

The ordinance currently in place for ambulance service fees was last amended on August 24, 2004. These charges have since become outdated and do not align with other similar or surrounding cities. The ordinance should be reviewed and adjusted as needed.

Observation 2: The Revenue Rescue program is not cost-effective.

The Revenue Rescue program billed \$106,260 during the audit period and only collected \$28,287 during that same period for a collection rate of 27%. According to EMS Billing staff, this program is costly to administer with one staff-member nearly devoted to working these accounts. This program should be reviewed and a cost-benefit analysis should be considered. Based on the collection rate, the costs seem to outweigh the benefits of administering this program.

RECOMMENDATIONS

The recommendations listed below are a result of the audit effort and are subject to the limitation of the scope of the audit. I believe that these recommendations provide reasonable approaches to help resolve the issues identified. I also believe that operational management is in a unique position to best understand their operations and may be able to identify more efficient and effective approaches, and I encourage them to do so when providing their responses to the recommendations. As such, I strongly recommend the following:

1. **The City does not offer non-emergency transports as an EMS service; therefore, EMS personnel should comply with this policy and decline these requests.**
2. **EMS Billing staff should use the ICD-9 codes appropriately and review the codes used for accuracy before submitting bills.**
3. **There should be procedures in place to ensure that all accounts are reviewed timely.**
4. **Bell County calls should be entered into both directories identically except for the \$200 surcharge.**
5. **EMS Billing should review the call narratives and ensure that accounts are properly entered as “No Transports” or “Treatment No Transports”, and that accounts are billed appropriately for “Treatment No Transports”.**
6. **Mileage and non-covered mileage should be billed on separate line items from the base charge when billing Medicare and Medicaid.**
7. **The Informed Decision Making Form should be completed for each call. EMS staff should be trained on proper completion of the form and should be held accountable when, upon supervisory review, the form is found to not be completed properly.**
8. **Negative balances should be reviewed promptly to ensure that refunds are issued timely and that errors are corrected timely. Staff should ensure completion of the process of issuing refunds to include initiating payment through the City’s financial software.**
9. **Insurance recoupments should be posted exactly as presented by the insurance company. The billing codes are currently set up within ZOLL for proper posting; however, staff training may be necessary to ensure that the correct process is followed.**

See Appendix A for Management’s Response to each recommendation.

MANAGEMENT'S RESPONSE



To : Amanda Wallace, City Auditor
Via : Glenn Morrison, City Manager
From : JD Gardner, Fire Chief
Date : 1 July 2015
Subject : Management's Response to 2015 EMS Billing Audit Findings

Below are the responses to the EMS Billing Audit findings, as well as recommendations to address these issues.

1. **Non-emergency transports as an EMS service are not offered by the City.** Educating the citizens and various facilities through flyers in the mail with their utility bills, reiterating the services we provide. Ensuring citizens are aware of private companies in the City that offer non-emergency transport. KFD personnel need to be reminded of this and comply with City policy.
2. **ICD-9 Coding by EMS Billing Staff.** Suggest that EMS Billing Staff implement a review process that ensures accuracy before submitting bills.
3. **Reviewing of accounts in a timely manner.** Despite an increase in call volume, staff numbers have not changed. These issues have been brought to the attention of the Assistant City Manager (Internal) during our meetings and will hopefully be addressed in the forthcoming months while the transition to the Finance Department takes place.
4. **Bell County calls should be entered into both directories identically except for the \$200 surcharge.** It is suggested that procedures be updated to include reviewing of Bell County calls for accuracy.
5. **"No Transports" or "Treatment No Transports".** Updating of procedures in the EMS Billing Office to ensure accurate reviewing of call narratives to avoid loss of revenue by ensuring "treatment no transports" are billed accordingly. EMS Staff are to ensure the correct information is entered on the "informed decision making form" and if treatment is given the forms should indicate this.

KILLEEN FIRE

6. **Mileage and non-covered mileage should be billed on separate line items.** Step by step instructions should be drafted to ensure all EMS Billing Staff are familiar with how to bill on separate line items when billing Medicare and Medicaid.
7. **The Informed Decision Making Form should be completed for each call.** The EMS Deputy Chief and EMS Lieutenant will discuss with all KFD Staff the importance of completing these forms correctly. Staff will be trained on proper completion of the form and will be held accountable when found not to be completed correctly. These errors could result in action being taken against the City.
8. **Reviewing negative balances promptly.** Steps need to be put into place to ensure all EMS Staff are aware of the process when issuing refunds and payment through the City's financial software. Supervisory level review should be in place to ensure this is done correctly.
9. **Insurance recoupments should be posted exactly as presented by the insurance company.** Staff training needs to be setup to ensure this process is followed.


JD Gardner
Fire Chief