



Audit of Ambulance Billing and Revenue Collection

Office of the Internal Auditor
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Transmittal Letter

February 26, 2015

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Subject: Audit of Ambulance Billing and Revenue Collection

Introduction

In accordance with the Fiscal Year 2014-15 Annual Audit Plan, a review of the City's Ambulance Billing and Related Professional Services agreement was completed. The primary focus was the verification of revenue received from ambulance usage service charges.

The City contracts with Advanced Data Processing Inc. (ADPI), a subsidiary of Intermedix, for the billing and collection of all charges and fees resulting from the delivery of Emergency Medical Service (EMS). ADPI has been utilized for billing and collection of EMS charges since 2007. Under the current agreement, ADPI receives 7.25% of all money collected, less refunds for providing the billing and collection services for ambulance charges.

The audit was conducted in accordance with 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 upon the audit objectives. I would like to thank the EMS Director and personnel from the Finance Department, ADPI-Intermedix, and Kenton County Dispatch for their cooperation and assistance during the review.

Background

The Fire Department provides emergency medical service to the residents of the City and staffs five advanced life support ambulances 24 hours a day, 7 days a week. The ambulances respond to more than 9,000 calls for service per year.

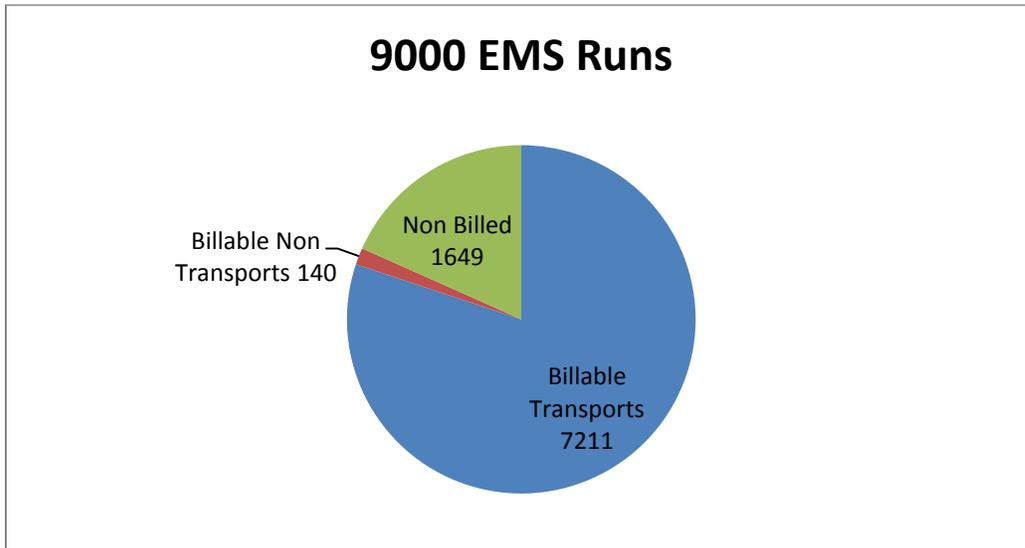
Section 98.03 of the Covington Code of Ordinances regulates ambulance usage service charges as follows:

- The amount of the charge for each patient transported shall be \$800 plus a fee of \$15 per loaded mile (a tenth of percentage point thereof will be added for each

patient transported). A “loaded mile” is the actual distance traveled with a patient while in route to the receiving facility. An additional \$50 shall be charged for the administration of oxygen.

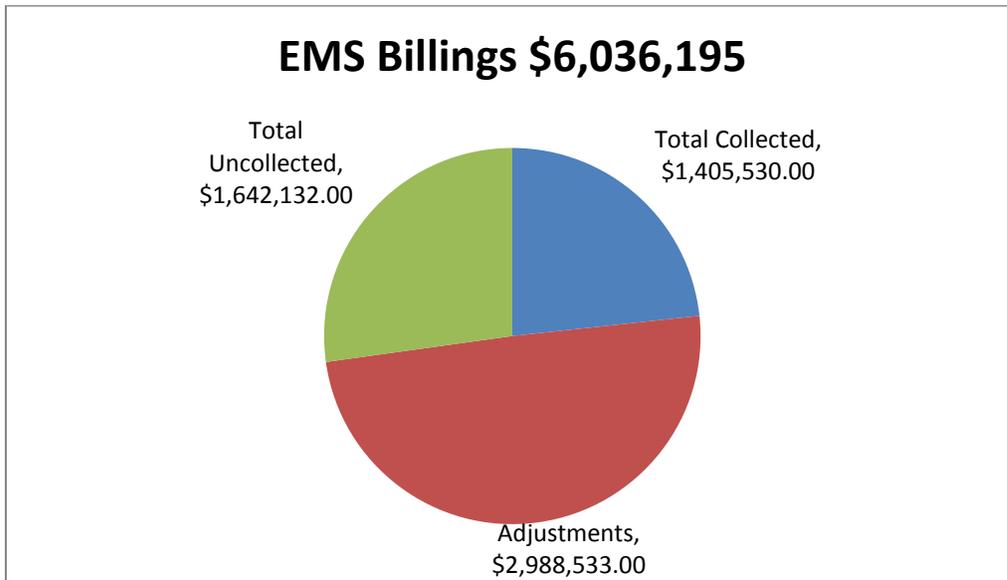
- The amount of the charge for each patient that is “treated” and not transported shall be \$400. A patient received "treatment" if there is interaction between the patient and Fire Department personnel regarding the health and welfare of the patient.
- The revenues realized from the collection of this fee shall be accounted for in a, special revenue account for user fees and used to defray the costs of ambulance and life-saving services.
- The billing and collection for ambulance usage service charges will be performed in accordance with the contract by the “billing company” that contracts with the City to perform those services.

During Fiscal Year (FY) 2013-14, ADPI billed \$6,036,195 for 7,351 separate EMS service runs. With a total of approximately 9,000 EMS runs during this time period, the Fire Department is generating billings for 82% of the total EMS runs with an average billing amount of \$821 per run.



The non-billed EMS runs were a result of the patient refusing treatment, false alarms, or no patient was found at scene.

ADPI collected \$1,405,530, and experienced adjustments of \$2,988,533 during FY 2013-14. Adjustments represent the amount of ambulance charges that are not covered by insurance, mainly Medicaid and Medicare. Adjustment amounts are not collectable and are “written off” ADPI’s records when the partial payment is received from the insurer.



The above chart indicates the vendor collected on \$4,394,063 (73%) of the available billings; however, due to adjustments for Medicaid and Medicare, the City only received \$1,405,530 (23%) of the total billings. Medicaid and Medicare accounted for 63% of all EMS billings during the review period.

Scope

The audit period was FY 2013-14 (July 2013 through June 2014) to coincide with the current agreement with ADPI. The primary focus was the verification of the revenue received from ambulance usage service charges and commissions paid to the vendor. A review of the process currently used by the City to reconcile and monitor this activity was also included.

The audit included the following separate review areas:

- An analysis and recalculation of billing and collection activity, by insurance classification, was performed to determine billing and collection percentages and to obtain assurance to the accuracy of the vendor’s reporting. This included a review of the Monthly EMS Billing Management Summary Reports provided to the City by ADPI.

The monthly summary reports are made up of four separate reports that include Collections, Billing Activity, Summary of Account Balance, and Accounts Receivable Aged Trial Balance.

- A verification of the collections received was completed and included reconciling monthly collections to deposit records and commission calculations on the vendor's invoices. A review of the reconciliation and commission payment process, followed by the Finance Department, was also included.
- A review of the vendor's incident processing was performed to test the timeliness and accuracy of billings and collections. A sample of 32 separate incidents was reviewed. The sample was judgmentally selected to include collections for various insurance types, collections with adjustments, uncollected accounts, and accounts that had refunds processed.
- A completeness test to ensure EMS runs were billed as appropriate was also performed. A sample of 75 incidents was selected from a list of EMS calls recorded in Kenton County Dispatch's CAD system. The sample was judgmentally selected for call types (Seizure, Overdose, Accident-w/injuries, Alarm-Medical Emergency, etc.) that should have resulted in a billable run.

The audit would not identify all issues because it was based on a selective review of data.

Results and Recommendations

The audit did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the review that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in this section of the report.

Issues were noted with the general administration of ambulance billing and collection activity. Opportunities to strengthen the management of the activity are as follows:

Policies and Procedures

- There are no documented procedures to guide EMS personnel with respect to reconciling and monitoring billing activity of ambulance charges. The EMS Director does complete a monthly review of new billing activity to ensure runs were properly coded and billed appropriately by the vendor; however, this process is not formally documented.
- There are no documented procedures to guide Finance personnel with the verification and payment process of the vendor invoice. Finance personnel are completing a reconciliation of collection activity on the invoice to the deposit records; however, this process is not formally documented and does not include a review of collections reported on the EMS Billing Management Summary Report.

Documenting billing and collection reconciliation activity will help ensure complete and accurate records to maximize collections and promote consistent processing among Fire and Finance personnel.

Recommendations

- ✓ Appropriate EMS personnel should develop written procedures outlining the review process between ADPI billing records and Kenton County Dispatch records to ensure all EMS runs are billed as appropriate. The procedures should be detailed enough that someone familiar with the area could follow and perform in the absence of the EMS Director.
- ✓ Appropriate Finance personnel should develop written procedures to document the reconciliation process for collections and commission payments to the vendor. Additionally, these procedures should include refund processing. The procedures should be detailed enough that someone familiar with the area could follow and perform in the absence of the Purchasing/Office Manager.

Monitoring

There is no monitoring of ADPI's reporting information except for collection activity. Billings/voids, adjustments, and aged receivables should be reviewed periodically to ensure activity is occurring as intended. Details are as follows:

- Voids are basically offsets of billing activity and should be summarized and netted with billable amounts to determine the actual amount of monthly billings. Net billings should be recorded and monitored, by insurance type, to develop a baseline for each type of insurance billed.
- Adjustments represented approximately \$3 million (68%) of all collection activity during FY 2013-14 and should be reviewed periodically for appropriateness. Adjustments should be recorded and monitored by insurance type to create a baseline for each type. This will provide a basis for easy monitoring by City personnel as the majority of adjustments are for Medicaid and Medicare.
- As of June 30, 2014, there were \$2.8 million in uncollected accounts receivables, representing 2221 separate billings on the vendor's records. 621 of the 2221 billings occurred prior to 2013 with the oldest occurring in 2007. Uncollected billings should be recorded and monitored by insurance type and aged date to develop a baseline for analysis and write off purposes.

Monitoring and reporting of activities creates a basis for performance measures, provides assurance that activity is occurring as intended, and helps identify opportunities to enhance efficiency and effectiveness.

Recommendations

- ✓ Finance personnel should develop monthly recording and monitoring procedures for billings/voids, adjustments and aged receivables, by insurance type. Exceptions should be appropriately addressed and the monitoring should be documented. Additionally, standards should be established with the vendor to determine an appropriate time to write off uncollected accounts.

Invoice Processing

Nine of twelve (75%) vendor invoices reviewed were paid after the due date on the invoice. Additionally, three of the twelve (25%) invoices were not date stamped when received.

A review of the invoices that were date stamped revealed that the Finance Department is not receiving the vendor's invoices timely. The majority of the invoices were received two to three weeks after the invoice date leaving Finance only one to two weeks to process the invoice. The current agreement states "Any

overdue amounts which are not the subject of a good faith notice of dispute shall accrue interest at the rate of 12% per annum.” As a result, the City could be charged interest for late payment of invoices.

Recommendations

- ✓ Finance personnel should work with the vendor to receive invoices in a timely manner. All invoices should be date stamped when received and paid prior to the due date. Additionally, if the invoice is received late, the envelop should be retained with the paper work to document the mailing date by the vendor.

Incident Management

EMS is experiencing a significant amount of false alarms associated with emergency pull cords and one EMS run was not billed as appropriate.

- Sampling of “Alarm Medical Emergency” call types revealed that eight of the ten (80%) incidents with this call type resulted in a false alarm. An alarm medical emergency call is generated when an emergency pull cord is used at residential housing apartments. During FY 2013-14, there were 379 EMS runs with an Alarm Medical Emergency call type.

Inquiry with the EMS Director revealed that Golden Towers Apartments has experienced the most false alarms associated with emergency pull cords. 121 of the 222 runs to this location resulted in false alarms during 2014. The EMS Director has been proactively trying to reduce the number of false alarms at Golden Towers by meeting with the building administrators and residents to educate them about using pull cords appropriately.

- One of the seventy five (1.3%) incidents sampled from the Kenton County Dispatch’s system was coded incorrectly by EMS and did not result in a billed run when it should have. Inquiry with the EMS Director revealed that the response mode field was incorrectly recorded as “intercept” instead of “lights and siren” by the technician, and as such, the incident did not generate a billable run on the vendor’s records. As a result, the incident was not billed as appropriate.

The EMS Director has since had the incident recoded and billed by the vendor. The director has also been working with the vendor to determine if additional runs were incorrectly coded as intercept.

Recommendations

- ✓ Appropriate Fire Department personnel should continue to explore ways to reduce false alarms associated with emergency pull cords, and should consult City Administration about potentially fining repeat offenders.
- ✓ Monthly reconciliation of billing activity should include a review of response mode information to ensure all runs are recorded and billed as appropriate.

Contract Improvements

- The contract with ADPI is not specific with regards to the timing when the initial and secondary claims will be filed. The contract uses the term “promptly” for both initial and secondary claims. A review of a similar audit of ADPI revealed that their contract contained specific language (send first bill within 2 days of receiving insurance information) with regards to timing for filing claims. Adding specific terms for claim filings should help ensure timely filing by the vendor and lead to improved collection activity.
- The language concerning reporting in the contract appears to favor the vendor in that the City has no say in the reporting protocol without incurring potential additional charges. As owners of the revenue, the City should dictate what their information needs are without incurring additional fees.

The vendor’s reports were accurate but should be enhanced to allow for an easier monitoring process. Specifically, voids, adjustments and aged receivables should be summarized by insurance type to be consistent with billing and collection activity, which would allow for a better monitoring process.

Recommendations

- ✓ The Operations Director should consider adding specific terms, with respect to the timing of claim filing, when the contract is renewed or rebid.
- ✓ The Operations Director should work with the vendor to enhance the current reporting by the vendor. Specifically, voids, adjustments and aged receivables should be summarized by insurance type for monitoring purposes. Additionally, these reporting specifications should be included in the contract when it is renewed or rebid.

Management Responses

The EMS, Finance and Operations Directors have reviewed the results and are committed to addressing the issues noted. Their responses are listed below.

EMS Response

Recommendation #1: Appropriate EMS personnel should develop written procedures outlining the review process between ADPI billing records and the Firehouse system to ensure all EMS runs are billed as appropriate. The procedures should be detailed enough that someone familiar with the area could follow and perform in the absence of the EMS Director

Response: The unwritten procedures that have been utilized to reconcile EMS Reports on file with ADPI against dispatch records, as contained in the Firehouse system, to ensure that all dispatched EMS calls have had the appropriate EMS report(s) generated will be formalized in a written document. This will likely be part of a broader Administrative Directive covering all aspects of EMS Incident documentation. Expected completion date of this document is 01 July 2015.

Recommendation #2: Appropriate Fire Department personnel should continue to explore ways to reduce false alarms associated with emergency pull cords, and should consult City Management about potentially fining repeat offenders.

Response: As noted in your report, I have been actively working with the facility that is generating the largest amount of False Medical Emergency Alarms and we have seen a gradual decrease in the number of False Medical Emergency Alarm calls to this facility over the last three months. While encouraging, we do not yet have a significant enough amount of data to say if this is a trend that will continue or not. I welcome the opportunity to participate in the development of a city ordinance that addresses these and other False Alarm issues, i.e. Fire and Police alarms.

Recommendation #3: Monthly reconciliation of billing activity should include a review of response mode information to ensure all runs are recorded and billed appropriately.

Response: This will be addressed in the forthcoming Administrative Directive on EMS Reports and Incident Documentation.

Recommendation #4: The Operations Director should consider adding specific terms, with respect to the timing of claim filing, when the contract is renewed or rebid.

Recommendation #5: The Operations Director should work with the vendor to enhance the current reporting by the vendor. Specifically, voids, adjustments and aged receivables should be summarized by insurance type for monitoring purposes.

Additionally, these reporting specifications should be included in the contract when it is renewed or rebid.

Response to #4 & 5: Prior to issuing the next Request for Proposals for Emergency Medical Services Billing, Electronic Care Records and Records Management the EMS Director will meet with representatives of the Internal Auditors Office, Finance Office and the Fire Chief to determine each entities needs in regards to reporting and report features. These identified needs will be included as a required element in all future vendor contracts. In the interim I will work with our Client Service Manager at ADPI to explore which current needs can be met without incurring any additional expenses.

Finance Response

Policies and procedures:

We are using your research and your written guidance and will include this in the master accounting manual when started and finalized. This will take years to complete – goal is to start with the Springbrook conversion.

Monitoring:

The Purchasing/Office Manager has completed this process of monitoring and will be working with me to do the analysis each month you recommended and instructed.

Invoice Processing:

The Purchasing/Office Manager will attempt to retain envelope for late bills and date stamp when receiving bills.

I will continue to work with City management to ensure the actions taken are effective to address the issues noted. For the actions that have yet to be completed, mainly written procedures for Finance and EMS, I will place these items on an audit follow-up list to ensure that management actions have been effectively implemented.

Please contact me if you have any questions or need additional information.

Sincerely,

Greg Crump, CIA, CFE
Internal Auditor

cc: City Mayor and Commissioners
Audit Committee
Finance Director
Fire Chief