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FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES DELINQUENT SELF-PAY ACCOUNTS FOLLOW-UP**

At the request of the Audit Committee, we have reviewed the status of the eight recommendations from our July 2001 report on the Department of Health Services' (DHS) Delinquent Self-Pay Accounts. Our report included findings and recommendations related to DHS' self-pay collection policies and procedures, patient payment plans and referrals to the County's outside collection agency.

Status of Recommendations

Overall, DHS is taking action to implement the recommendations from our prior report. Of the eight recommendations, three are fully implemented and five are partially implemented. DHS needs to take action to ensure that all recommendations are fully implemented and remain implemented.

The detailed status of the eight recommendations is discussed below.

Recommendation # 1

DHS Administration develop and implement standard self-pay billing policies and procedures, including increased in-house billing efforts and improved timeliness of such billings and timely referrals to USCB.

Status: IMPLEMENTED

Our initial review disclosed that DHS facilities did not have standardized procedures or timeframes for billing self-pay accounts or for referring the accounts to the outside collection agency.

In response to our recommendation, DHS Revenue Management (RM) developed a matrix of the different procedures and timeframes used by DHS facilities to bill/refer patient accounts. A committee of facility billing staff reviewed the matrix and evaluated the billing/referral process. Based on the committee's recommendations, RM developed standardized timeframes for each step in the process. The facilities' computerized accounts receivable systems were updated to reflect the standard timeframes. Implementation of the standardized billing/referral timeframes began in April 2002.

Recommendation # 2

DHS Administration require the facilities to consistently track and report self-pay collection data on an ongoing basis to assess the effectiveness of collection efforts.

Status: PARTIALLY IMPLEMENTED

Our initial review disclosed that the facilities and DHS did not monitor the facilities' self-pay collections. This information is needed to enable the facilities and DHS to assess the effectiveness of their collection efforts and to take corrective action as appropriate.

RM developed a list of categories (e.g., inpatient, outpatient, insurance deductibles, etc.) for the facilities to use in reporting self-pay collections. These categories provide more detail than was previously available. The facilities submitted their first reports to RM in March 2002. RM prepared a summary of the facilities' reports comparing year-to-date collections for all facilities to FY 2000-01 total collections. However, we noted that the reports only show the actual amounts collected and did not indicate the amounts billed. DHS indicated that they monitor the collections by comparing the amounts collected to the prior year collections. However, without information on the amounts billed, DHS may not be able to fully assess the collection efforts of its facilities.

Recommendation # 3

DHS Revenue Management conduct a pilot study to evaluate the cost effectiveness of establishing payment plans for self-pay patients.

Status: PARTIALLY IMPLEMENTED

RM is conducting a pilot study for patient payment plans at Olive View Medical Center (OVMC). From May 1, 2002 until January 31, 2003, OVMC financial screening staff is supposed to randomly select a total of 40 self-pay patients. These patients will complete a "Plan of Payment Agreement" with a monthly installment payment, based on the patient's financial ability.

OVMC did submit a quarterly report on the pilot to RM on August 31, 2002. However, as of September 2002, OVMC has not been successful in its attempts to get patients to voluntarily enroll in the pilot program. While DHS does have plans for OVMC to submit quarterly reports and for RM to evaluate the cost/benefit of the payment plan program in April 2003, those plans will be impossible to implement if patients do not enroll in the pilot. If OVMC continues to be unable to get patients to participate voluntarily in the pilot, the Department may need to consider whether they can require patients to participate.

Recommendation # 4

DHS Administration ensure all facilities request scheduled admission self-pay patients to make a down payment and sign a statement of responsibility.

Status: IMPLEMENTED

During our initial review, we noted that Harbor-UCLA Medical Center (H/UCLA) was not complying with the DHS policy to request scheduled admission self-pay patients to make a down payment and sign a statement of responsibility for the hospital charges.

After an unsuccessful effort to enforce the policy in September, 2001, H/UCLA Revenue Management did implement this recommendation on September 13, 2002. We noted that scheduled admission self-pay patients are now required to make a down payment and sign a statement of responsibility.

Recommendation # 5

DHS Administration ensure the facilities monitor self-pay accounts and refer accounts to the outside collection agency timely.

Status: PARTIALLY IMPLEMENTED

In October 2001, RM issued a memo to DHS facilities indicating that self-pay accounts need to be monitored monthly, and referred to the outside collection agency in a timely manner. The standardized billing/referral timelines, implemented in April 2002, require inpatient accounts to be referred to the outside collection agency within 59 days.

We reviewed self-pay accounts at Harbor/UCLA and the Centralized Business Office (CBO), which bills for LAC+USC Medical Center (LAC+USC). We noted that Harbor/UCLA has reduced their self-pay accounts over 240 days old from 962 in April 2001 to 611 in April 2002. LAC+USC's self-pay accounts over 270 days old (the facility's previous monitoring timeframe) increased from 220 in April 2001 to 235 in April 2002.

We also noted that CBO and LAC+USC do not adequately monitor self-pay accounts. CBO is supposed to send a list of accounts over 270 days old to LAC+USC Patient Financial Services (PFS) for follow up. However, we tested seven accounts over 270 days old and noted that CBO did not refer five of them to PFS as required. The five accounts ranged from 326 days to 670 days before they were referred to PFS.

Once an account is referred to PFS, PFS is required to review the account and to provide the information needed to bill the account to CBO. We noted that PFS does not always follow up on accounts referred by CBO. We tested five accounts and found that, for two accounts, PFS did not respond to CBO's request for billing information. As a result, one of the accounts exceeded the Medi-Cal billing deadline. For two other accounts, PFS did not respond to CBO until an average of 230 days after CBO inquired about the accounts. For the last account, PFS had already provided the information needed to bill the account to CBO. However, CBO had lost the information.

DHS Revenue Management needs to ensure that the facilities monitor their self-pay accounts and comply with the new timeframes for referring accounts to the outside collection agency.

Recommendation # 6

H/UCLA management establish and implement a policy to ensure aged self-pay accounts are monitored on a regular basis.

Status: IMPLEMENTED

H/UCLA management issued a policy in July 2001 requiring Patient Accounting (PA) to monitor self-pay accounts on a monthly basis, with an emphasis on accounts over 240 days old. As indicated in our follow up to Recommendation # 5, H/UCLA has reduced the number of their self-pay accounts over 240 days old. However, as noted earlier, DHS and H/UCLA need to ensure that H/UCLA complies with the new timeframes for referring self-pay accounts.

Recommendation # 7

DHS Revenue Management establish a policy requiring all ER facilities to provide patients with information regarding payment options after the medical evaluation has been completed and monitor for compliance.

Status: PARTIALLY IMPLEMENTED

DHS RM has indicated that implementation of this recommendation will require revisions to DHS' financial screening policy and a new patient General Consent Form. DHS has submitted the revised policy to County Counsel for review and developed the revised Consent Form. The Consent Form must be approved by the DHS' Forms

Committee. RM indicated that approval by the Forms Committee could take several months.

Recommendation # 8

DHS and Treasurer and Tax Collector (TTC) management evaluate the cost effectiveness of TTC's collection efforts and, if the efforts are not cost effective, stop performing collection efforts.

Status: IMPLEMENTED

In December 2001, DHS RM and TTC agreed that TTC would evaluate the cost effectiveness of their collection efforts. TTC submitted the analysis to RM on February 15, 2002. The analysis compared TTC's collections from July 1, 2001 to December 31, 2001 to the cost of TTC's collection efforts. Based on the analysis, TTC indicated their collection efforts are cost effective and should continue. RM indicated that they would conduct this analysis again for the period January 1, 2002 to December 31, 2002 during March 2003.

Review of Report

We discussed our report with DHS and TTC management. The Department indicated general agreement with our findings and that they are taking action to address the remaining recommendations. DHS will issue a response to this report within 60 days as required by Board policy.

We thank DHS management and TTC staff for their cooperation and assistance during this review. If you have any questions, please call me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:JS

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