

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 26, 2019
TO: ROBERT DUBÉ, FIRE CHIEF
FROM: ROBERT SNYDER, ACTING CHIEF INTERNAL AUDITOR 
SUBJECT: RELEASE OF AUDIT REPORT - REVIEW OF AMBULANCE BILLING PROGRAM (AR 19-01)

We have received the Fire Department's response to our audit report and thank them for the level of detail they provided. In their response, the Fire Department's noted that the Office of Internal Audit utilized a limited scope which did not focus on the overall revenue received but focused on the collection rate. They identified that Arlington County, who uses the same ambulance billing vendor, is experiencing similar results. In addition, they identified their major challenges which include the current insurance environment and long-standing compassionate billing policy.

The Office of Internal Audit agrees that these are all valid concerns which inhibit a higher collection rate from being achieved. In addition to our primary conclusion regarding collection rates and increasing self-pay accounts, we identified other factors which may help the Fire Department to increase the collection rate. The Request for Proposal (RFP) and actual contract indicated that the vendor marketed themselves as an industry leader with respect to interfacing the ambulance transport process with the insurance industry. Review of the vendor's internal policies indicated that many appear to have been specifically developed to decrease the number of self-pay accounts and therefore allow for a higher collection rate.

Our additional research indicates that the Fire Department is free to utilize all contract administration tools available under the Alexandria Procurement Policy. The Fire Department can request written responses regarding the effectiveness of the vendor's policies. They may also request other reports such as location metrics of the self-pay accounts. These actions may improve contract oversight and lead to increased performance or recommendations for City management.

We would like to thank Chiefs Andrews and Hricik, Administrative Division Chief Bosse, and Administrative Support V Farmer for their assistance during our review. If you would like to meet again to discuss the findings of the review, please contact me at extension 4743.

Cc. Mark B. Jinks, City Manager
Cc. Debra R. Collins, Deputy City Manager



Office of
Internal Audit
REPORT

Results of
Review of Ambulance Billing Program
AR19-01

June 26, 2019



EXECUTIVE SUMMARY

What We Reviewed

Alexandria ambulances conducted over 7,800 runs to local hospitals in FY2018 which resulted in the creation of \$4,734,270 of ambulance fees. Due to the complexity of the process, the Alexandria Fire Department (AFD) utilized a Fairfax County contract with Change Healthcare to oversee the ambulance billing program. Change Healthcare is one of the largest healthcare technology companies and leverages internet technology to merge billing data from the AFD, hospitals, and insurance providers. We reviewed AFD's ambulance billing contract, reports from Change Healthcare's proprietary systems, reports from the MUNIS system, and conducted interviews with staff. The key component of our review was a "run universe" listing all ambulance runs in the past two (2) fiscal years.

What We Found

When we compared the FY 2018 run universe to the amounts collected we noted that the collection rate is 49%. This number declined 10% when compared to data from the FY2017 run universe. The decline in collection rates appears to have been created by several factors. First, is a decrease in the amounts paid by insurance providers and an increase in accounts categorized as "self-pay". Second, the self-pay accounts make up 31% of all ambulance runs and the collection rate for these accounts is less than 3%. Third, the City's billing policy allows the write-off of unpaid accounts after three (3) notices have been sent to the patient.

In addition to the low collection rate, we noted that Change Healthcare does not provide a report that allows reconciliation between their Business Performance Insight system and the MUNIS system. Each month Change Healthcare produces a monthly billing statement which can be matched to reports from their Business Performance Insight system. However, we were unable to completely reconcile the reports from their system to the MUNIS system. This is concerning because it prevents the department from having total confidence in the information provided by the contractor.

We noted that the Fire Department does not have written policies and procedures related to the officiation of the ambulance fee program. Although Change Healthcare has been contracted with the actual ambulance fee billing, the department must hold them accountable for the compliance with the terms and conditions of the contract. Policies must be established to ensure the contractor generates maximum collections or notifies the AFD of actions that could be taken in order to increase effectiveness. Written policies and procedures also support employee accountability and continuity of operations in the event an employee retires or resigns.

What We Recommended

We recommended that the Fire Department develop written policies and procedures to improve contract oversight. The policy should focus on actions staff members will take to ensure the contractor complies with the terms and conditions of the contract. Specific procedures should address steps for reconciliation of contractor reports to the MUNIS system and refund operations. We recommended that the department direct the contractor to provide a list of options to increase the collection rate and decrease the number of accounts classified as self-pay. This recommendation will allow the department to review actions that the contractor can take to increase collections or present options to the City Manager for potential policy changes. We recommended that the department direct the contractor to provide a report that allows full reconciliation of all ACH and Lockbox payments to the MUNIS system. We also recommended that the department review all provisions of the contract for compliance. Should the contractor fail to fulfill the terms and conditions of the contract the department should contact the Purchasing Division to explore options to compel compliance.

In addition to the recommendations we noted that AR 9-10 *Rules and Regulations Governing the Emergency Medical Services of the Alexandria Fire Service* (January 1, 1982) divided the responsibility of the ambulance billing program between the AFD and the Finance Department. This arrangement could be a potential option for the AFD to explore as it would allow the AFD to focus on their operational mission while allowing the Finance Department to focus on collections activities. The Finance Departments experience with collection operations may position them to obtain a higher collection rate.

Review of Ambulance Billing Operations

FY 2019

Review of Ambulance Billing Program
AR 19 – 01
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Background

The Alexandria Fire Department (AFD) began billing the public for ambulance services in the late 1960s¹. When initiated the cost was \$15.00 per call and €15 per mile outside the corporate limits outside the City of Alexandria. Administrative Regulation A.R. 9-10 *Rules and Regulations Governing the Emergency Medical Services of the Alexandria Fire Service* (January 1, 1982) references the cost recovery of funds. This regulation divided the responsibility for ambulance billing between the Fire Department and the Finance Department. Since then the officiation for ambulance billing has been consolidated into the AFD. In FY2018 AFD ambulances completed 7,826 runs resulting in a gross billing of \$4,734,270.

The ambulance billing process requires the use of a sophisticated information technology architecture which allows for medical records to be created while the patient is still on the ambulance and merged with records from the hospital and insurance agencies. Due to the complexity of the process, the City as well as most other Metropolitan Washington localities have outsourced their ambulance billing program to a third-party contractor. AFD obtained their contract with MED3000 using a cooperative purchase agreement from the Fairfax County Fire Department. The Fairfax County Fire Department signed the contract with MED3000 on July 1, 2010.

The Fairfax County Fire Department's Request for Proposal RFP10-147102-11 contained a 71-page response document which serves as the basis for all contract management actions involving the ambulance billing program. MED3000 has gone through several business consolidations and is now known as Change Healthcare. Interviews with the contractor indicate that despite the business consolidations they are still using the same policies and procedures listed in the response to the RFP. The City pays Change Healthcare a fee based on number of transports. In FY2018 Change Healthcare was paid \$131,776.94 which is 5.5% of net collections.

Purpose, Scope and Methodology

Purpose

OIA's workplan included a review of the Ambulance Billing Program. Our review had five (5) objectives. 1). Establish understanding of the ambulance billing process from patient movement to receipt and or refund of payment. 2). Obtain and review sample of ambulance dispatches and billing. 3). Assess overall program compliance with regulations to include the review of the ambulance billing contract, ordinance, and AFD general orders and SOPs. 4). Review and assess the refund process. 5). Verify that AFD Billing Staff are HIPAA compliant.

Scope and Methodology

We confined our review to ambulance billing records for the period FY2018 and FY2017. We did not examine records from prior periods. In addition, we did not review compliance with other policies and procedures of the Alexandria Fire Department. Accordingly, we have no opinion as

¹ Ordinance Number 1564 May 27, 1969

to the effectiveness and compliance with regulations in prior years that were not included in the scope of this review.

We reviewed the Change Healthcare contract and conducted interviews with Fire Department staff members as well as the contractor's representatives. We then obtained samples of the ambulance billing records and compared them to information contained in the City's MUNIS financial management system.

Findings and Recommendations

Our review identified four major findings: 1) the level of ambulance revenue has declined by 10% between FY2018 and FY2017, 2) the number of "self-pay" patients has increased, 3) Change Healthcare does not provide a report that would allow the AFD to reconcile ambulance payments to the MUNIS system, 4) the AFD has no written policies and procedures that govern the administration of the contract. The following discussion of the ambulance billing process and other objectives provides clarification to the findings.

1. Ambulance Billing Process

The ambulance billing process begins when the Department of Emergency Communication (DEC) is notified that a patient needs medical care. DEC takes the information, and based on the level of treatment required, inputs the information into PowerPhone which is DEC's Emergency Vehicle Dispatch (EMD) system. The EMD system automatically locates the closest unit and notifies them of the call. These units may be from the Alexandria Fire Department or from Fairfax or Arlington County based on location and mutual aid agreements.

Once dispatched, the unit arrives on the scene and begins treatment. Each piece of apparatus has an Mobile Data Terminal (MDT) sometimes called a Mobile Data Book (MDB) that they use to record patient status. Data entered into the MDT forms the basis for the Patient Care Record (PCR). Should a patient need to be transported they are moved to the closest facility based on the level of care required. Alexandria ambulances transport 93% of patients to INOVA Alexandria Hospital.

Ambulance billing is split between three (3) levels of care. Basic Life Support (BLS) is the transportation by ground ambulance vehicle and the provision of medical supplies and services without Advanced Life Support intervention. Advanced Life Support I (ALS-I) adds the provision of an ALS assessment and at least one ALS intervention. Advanced Life Support II (ALS-II) includes at least three (3) separate administrations of one or more medications or ground ambulance transport and the provision of at least one very advanced life support procedure. The charges for these services and number of calls are shown in Table 1:

Table 1. Ambulance Billing Charges			
Mode of Care	Cost per Incident	Number of Calls	
		FY2018	FY2017
BLS	\$500.00	3,250	3,143
ALS-I	\$650.00	4,149	4,184
ALS-II	\$800.00	223	241
Mileage	\$10 per Mile	7,826	7,568

After a patient is taken to the hospital, the MDT's data is uploaded into Change Healthcare's database. Change Healthcare then requests information from the hospital to match the PCR from the ambulance transport to the treatment record of the patient at the hospital. The treatment record should contain the name of the patient's insurance provider. The matching process is critical in the successful billing of the patient. Change Healthcare developed policy TC-EMS-8 which says that anytime they do not have a "hit rate" of 90% matches between the PCR and the treatment records they will review their internal process and contact the hospital. Change Healthcare utilizes a system known as LYRA to track individual ambulance billing records. The system appears to be robust and allows for individual records to be reviewed and compared from beginning to end.

Per the contract, Change Healthcare is responsible for pursuing collection action for 180 days after the date of initial claim, invoice, or bill. The contract states that after 180 days the contractor will provide the names of delinquent accounts for further collection actions. In practice this means if no insurance provider is identified, that each patient is billed three (3) times and the account can then be written off. We requested a detailed listing of accounts over 180 days but were not provided with the material.

Other localities describe this a "compassionate" or a "soft" billing policy. Discussions with AFD staff do not use these terms but our process operates using essentially the same idea. Table 2 below from June 2018 shows a schedule of receivables. Of note is that 55% of the receivables are 121 days or older and could be written off at any time.

Table 2. Aging Report June 2018							
Days Outstanding							
0-30	31-60	61-90	91-120	121-150	151-180	181+	Total
\$104,879	\$286,773	\$188,725	\$132,853	\$144,992	\$137,058	\$595,130	\$1,590,410
7%	18%	12%	8%	9%	9%	37%	

In addition to the general billing policy, should a resident have an extenuating circumstance, such as being victim of a crime, the AFD has procedures that allows the bill to be written off by the department. A resident or the Court Services Unit can contact the Fire Department and request the bill be written off. After receiving written documentation, the Fire Department's

Administrative Finance Support V contacts the EMS Director who approves the waiver. The ambulance billing clerk then notifies Change Healthcare who makes the necessary adjustments in their system. This process shows levels of supervisory review and sign-off which support the internal control of the program.

2. Review of Ambulance Dispatches and Billing

Declining Collections Rate

Payments are received for ambulance bills through either bank lockbox or automated clearing house (ACH) payment to the City's bank account. Our review of the run universe showing all ambulance runs and payments indicated that the overall collection rate declined 10% between FY2018 and FY2017. Table 3 provides an analysis of our review of the FY2018 and FY2017 run universes.

Table 3. Collection Charges and Rates		
	FY2018	FY2017
Ambulance Runs	7,826	7,568
Transport Charges	\$4,500,700.00	\$4,478,400.00
Mileage Charges	<u>233,570.00</u>	<u>227,282.00</u>
Gross Charges	\$4,734,270.00	\$4,705,682.00
Discounts (Insurance Adjustments)	-710,213.14	-844,782.41
Net Charges	<u>\$4,024,056.86</u>	<u>\$3,860,899.59</u>
Payments	-1,990,879.66	-2,307,292.99
Refunds	19,305.06	44,605.89
Net Payments	<u>\$1,971,574.60</u>	<u>\$2,262,687.10</u>
Collection Percentage (Net Pay/Net Charge)	49%	59%

Two (2) reasons appear to be the cause of the declining collections amounts. The first is a changing insurance market. Medicaid has always paid a reduced amount which is specified by U.S. Department of Health and Human Services. Other insurance providers have observed Medicaid's procedures and are following suit by paying a reduced rate in the hopes that localities will accept the amount they pay and write off the balance. The contractors staff indicated that providers have submitted schedules listing the amounts they will pay. We requested these schedules, but the contractor failed to produce any examples for our review. Table 4 and 5 show the major insurance providers and the discount and payment percentages and a breakout of payment totals by insurance company and patient payments.

Table 4. Summary of Collections FY2018

Insurance Provider	Gross Charges	Discounts	Discount %	Net Charges	Insurance Payments	Patient Payments	Payment %
MEDICARE	\$1,506,871	\$(347,811)	23%	\$1,159,060	\$983,556	\$10,937	86%
SELPAY	1,476,509	(11,183)	1%	1,465,326	7,389	34,220	3%
MEDICAID	368,045	(217,104)	59%	150,941	83,395	-	55%
BLUE CROSS	349,340	(9,135)	3%	340,205	234,633	35,247	79%
EMPLOYEE MUTUAL INC	181,191	(12,781)	7%	168,410	127,472	2,650	77%
UNITED HEALTHCARE	170,804	(8,387)	5%	162,417	91,181	7,830	61%
AETNA	150,505	(22,986)	15%	127,519	80,541	11,617	72%
CIGNA	88,107	(1,612)	2%	86,495	60,166	4,987	75%
HUMANA	40,328	(7,788)	19%	32,540	20,196	2,290	69%
Veterans Administration	11,060	(201)	2%	10,859	328	842	11%
TRICARE	69,927	(11,392)	16%	58,535	41,186	690	72%
Workers Comp.	20,643	(802)	4%	19,841	12,395	10	63%
Attorney Payments	18,442	-	0%	18,442	5,171	-	28%
Other Providers	282,498	(59,032)	21%	223,466	87,702	24,943	50%
	\$ 4,734,270	\$(710,213)	15%	\$4,024,057	\$1,835,310	\$136,264	49%

Table 5. Summary of Collections FY2017

Insurance Provider	Gross Charges	Discounts	Discount Rate	Net Charges	Insurance Payments	Patient Payments	Payment %
MEDICARE	\$1,607,869	\$(417,184)	26%	\$1,190,685	\$1,062,751	\$19,806	91%
SELPAY	1,201,061	(11,290)	1%	1,189,771	9,115	38,065	4%
MEDICAID	373,089	(238,882)	64%	134,207	87,555	950	66%
BLUE CROSS	434,009	(11,643)	3%	422,366	289,227	56,936	82%
EMPLOYEE MUTUAL INC	188,083	(16,958)	9%	171,125	151,722	1,018	89%
UNITED HEALTHCARE	187,656	(7,397)	4%	180,259	121,862	14,889	76%
AETNA	165,290	(10,306)	6%	154,984	95,202	25,968	78%
CIGNA	86,477	(6,665)	8%	79,812	45,764	16,351	78%
HUMANA	63,890	(20,285)	32%	43,605	31,697	3,066	80%
Veterans Administration	6,186	(623)	10%	5,563	1,236	-	22%
TRICARE	64,249	(12,672)	20%	51,577	44,206	1,134	88%
Workers Comp.	20,016	(935)	5%	19,081	18,078	1,824	104%
Attorney Payments	26,691	-	0%	26,691	10,816	3,489	54%
Other Providers	281,116	(89,943)	32%	191,173	90,932	24,711	60%
	\$4,705,682	\$(844,782)	18%	\$3,860,900	\$2,060,165	\$208,206	59%

Increase in Self-Pay Accounts

The second reason for declining revenue is that an increasing number of patients are categorized as “Self-Pay” with no insurance provider being identified by the contractor. The contractor is responsible for matching the PCR from the ambulance to the patient record in the hospital. Should the contractor not be able to identify the patient’s insurance company, the account is classified as self-pay and the patient is then directly billed. Further analysis of the run universe supports the conclusion that self-pay payments are a prime reason for decreasing collections. We identified that the percentage of self-pay patients increased to 31% in FY2018 from 26% in FY2017. The collection rate for self-pay patients in FY2018 was 3%.

This has been a consistent problem that was identified in the contractor’s response to the Fairfax County RFP in 2010. They analyzed the Fairfax County Fire Department’s collection activity and identified three (3) problems: 1) abnormally high percentage of charges billed as “self-pay”, 2) low percentage of charges being billed to Medicare or private health insurers, 3) abnormally low percentage of self-pay charge dollars being collected. The contractor’s recommended approach to these problems involved decreasing the amount of self-pay patients and increasing the collections amounts received from Medicare and private insurance. Table 6 provides a summary of the of ambulance charges by insurance provider.

Insurance Provider	FY2018		FY2017		Year to Year Change
	Gross Charges	Billing %	Gross Charges	Billing %	
MEDICARE	\$1,506,871	32%	\$1,607,869	34%	-2%
SELF-PAY	1,476,509	31%	1,201,061	26%	5%
MEDICAID	368,045	8%	373,089	8%	0%
BLUE CROSS - BLUE SHIELD	349,340	7%	434,009	9%	-2%
EMPLOYEE MUTUAL INC	181,191	4%	188,083	4%	0%
United Healthcare	170,804	4%	187,656	4%	0%
AETNA	150,505	3%	165,290	4%	0%
CIGNA	88,107	2%	86,477	2%	0%
HUMANA	40,328	1%	63,890	1%	0%
Veterans Administration	11,060	0%	6,186	0%	0%
TRICARE	69,927	1%	64,249	1%	0%
Workers Comp.	20,643	0%	20,016	0%	0%
Attorney Payments	18,442	0%	26,691	1%	0%
Other Providers	282,498	6%	281,116	6%	0%
	\$4,734,270		\$4,705,682		

The vendor appears to have placed control measures in the form of written policies to address these issues. Policy TC-EMS-8 which says that anytime they do not have a “hit rate” of 90% match between the PCR and the hospital records they will conduct a self-assessment and contact the hospital. This policy appears to attempt to decrease the amount of self-pay accounts. Policy TC-EMS-9 says that 100% of all self-pay accounts will receive an Request for Information (RFI) letter in 30 days or less. The request for information would allow them another chance to obtain the patient’s insurance provider information if they could not get it from the hospital. Finally, Policy TC-EMS-20 says that they will resolve any denial or zero balance payments within two (2) days of receipt. This would involve the contractor contacting the insurance provider to ensure that they were properly billed.

MUNIS Records

In addition to our analysis of the run universe provided by Change Healthcare, we analyzed the MUNIS system to determine how ambulance revenue was being processed into the City’s financial records. Payments are received either through a bank lockbox or via electronic automated clearinghouse (ACH). Change Healthcare stated that they do not currently have a report that would allow full reconciliation to our MUNIS system. Change Healthcare’s Business Performance Insight system houses numerous reports that can be used to monitor the ambulance billing program. One report is the EDP-5 report, which breaks down batch payments by day. This report also matches the billing statements provided by Change Healthcare. Our analysis of the EDP-5 report and the MUNIS system indicated that the MUNIS account balance was overstated in both FY2018 and FY2017. We determined that overstatement was due to ACH transactions being posted to the ambulance fee account that were from other departments. Table 7 below provides a synopsis of the difference between the records in the MUNIS system and the amounts listed as paid by Change Healthcare:

Table 7. Billing and Payment Summary		
	FY2018	FY2017
MUNIS Account Balance	\$2,537,540.39	\$2,440,360.48
Change Healthcare EDP-5 Report	-2,438,726.40	-2,307,292.99
	\$98,813.99	\$133,067.49
FY2018 Includes \$19,490.47 booked to miscellaneous revenue.		

The Accounting Division plays a vital role by booking lockbox and ACH payments to the correct ambulance fee account in MUNIS. While the lockbox payments are listed in a statement provided by SUNTRUST bank, the ACH payments contain very little supporting information and can often be misapplied unless the respective department is actively reconciling their records to the MUNIS system. Although a certain amount of discrepancy in the MUNIS system can be accounted for due to timing issues, the amounts reflected in the MUNIS system for the ambulance fee accounts are too large to reflect a timing issue. Increased reconciliation efforts must be undertaken in order to ensure the account accurately reflects amounts paid for ambulance fees.

3. Alexandria Fire Department Regulations, General Orders, and SOPs

The Alexandria Fire Department has no written policies and procedures that specifically address the ambulance billing program. We identified that the AFD has a Standard Operating Procedure (SOP) “# *EMS-7 Operations – Emergency Medical Services*” dated February 2, 2004 that references emergency medical care and patient transport but is silent to ambulance billing. The AFD also has Standard Department Policy “# *SDP1.1.1) Financial and Accounts Payable Policies*” which references accounts payable and receiving procedures but does not mention ambulance billing.

The lack of written policies and procedures prevents the AFD from holding the contractor fully accountable with the terms and conditions of the contract. Fairfax County RFP # RFP10-147102-11 and the contractor’s response provides the basis of all actions that the contractor is required to take. AFD should take the RFP and contractor’s responses and use them to create an ambulance billing policy. The policy should include full reconciliation of all reports. The reconciliation would require tracking of key metrics to include the collection rate, the number of self-pay patients, and the “hit rate” for matching PCRs to hospital records. The AFD should ensure that the procedure for issuance of refunds is included in the policy. The AFD should list specific actions that employees charged with ambulance billing responsibilities should take. This will allow the department to have confidence that should an employee retire or resign that all the billing process will remain on track.

4. Refund Process

The Fire Department does not have a formal policy regarding ambulance fee refunds. Interviews with the AFD and Change Healthcare representatives indicated that refunds occur for a variety of reasons. The patient can double pay, the insurance company and the patient can double pay, or patient could have an automatic payment plan that is not turned off. Change Healthcare policy TC-EMS-21 was included in the Fairfax County RFP and details the steps the contractor will take when processing a refund.

We reviewed the Change Healthcare policy and a sample of ambulance refunds by comparing refunds listed in the MUNIS financial system and Change Healthcare’s LYRA system. Our review indicated that all refunds were supported by adequate records of overpayments in the LYRA system. Change Healthcare has a Refund Team that reviews all overpayments. The refund team verifies the overpayment and contacts the Administrative Finance Support V with all the information including a screenshot from the system. The Administrative Finance Support V processes the refund and sends a request to issue a check to Accounting. AFD staff have procedures in place but these should be formalized by preparing a written policy to ensure consistency and continuity of operations.

5. Compliance with HIPAA

Compliance with the Health Information Portability and Accountability Act (HIPAA) is a serious concern for all agencies charged with the collection and storage of protected health information (PHI). The HIPAA program is governed by Federal law and failure to follow rules regarding PHI

can cause sanctions. Although the sanctions are a cause for concern, we were unable to locate any large fire department that had been sanctioned for failure to comply with HIPAA.

Protected Healthcare Information is housed on the Mobile Data Books assigned to Fire Department ambulances. Change Healthcare's LYRA and Business Performance Insight systems contain PHI and additional data which could be sensitive in nature. The original RFP contained requirements that the contractor comply with Fairfax County Government HIPAA regulations. The contractor lists numerous certifications on their website stating that they comply with requirements promulgated by the U.S. Department of Health and Human Services regarding HIPAA.

The AFD does not have a written policy specifically addressing HIPAA or a cyclical retraining requirement. All Firefighters and EMTs undergo training on HIPAA during the Fire Academy. In addition, civilian staff that have ambulance billing responsibilities have received training on HIPAA compliance. The Administrative Support V Technician attends annual training regarding HIPAA. The AFD has disciplinary policies that address confidentiality and City Administrative Regulation A.R. 6-20 provide for disciplinary action for individuals who fail to secure City records. Based on the personnel policies devised by the Department and the contractor we feel that adequate safeguards are in place regarding HIPAA.

Conclusions

We identified that the rate of collection has decreased by 10% during the past year, while the number of self-pay patients has increased. The increase in the number of self-pay patients indicates that the contractor is not obtaining patient insurance information which will mean that the rate of collections will most likely continue to decrease. We identified that there are discrepancies between contractor provided reports and the MUNIS financial system. These discrepancies could impact other departments.

Based on these findings, the department should develop a written ambulance billing policy based on the responses to the Fairfax County RFP in order to hold the contractor accountable. After developing a written policy that establishes a base line for contract administration, the department should request that the contractor provide a list of options to increase the collection rate and decrease the number of self-pay accounts. The contractor should be required to generate a report that would allow full reconciliation of all payments to the MUNIS system. The AFD should then give the contractor a realistic time period to correct their deficiencies. Should the contractor fail to meet the departments requirements, they should engage the Purchasing Division to determine what actions can be taken to compel the contractor to comply. If the contractor still fails to meet expectations the department may wish to develop a Request for Proposal (RFP) to solicit new vendors.

It should also be noted that A.R. 9-10 *Rules and Regulations Governing the Emergency Medical Services of the Alexandria Fire Service* (January 1, 1982) divided the responsibility for ambulance billing between the AFD and the Finance Department. The AFD may wish to consider partnering with the Finance Department in order to increase the collection rate. In addition the department may wish to engage senior management regarding the billing policy for self-pay accounts.

Accordingly, we recommend that the Alexandria Fire Chief take the following actions:

Recommendations

1. Develop written policies and procedures to improve contract oversight. The policy should focus on actions staff members will take to ensure the contractor complies with the terms and conditions of the contract. Specific procedures should address steps for reconciliation of contractor reports to the MUNIS system and refund operations.
2. Direct the contractor to provide a list of options to increase the collection rate and decrease the number of accounts classified as self-pay.
3. Direct the contractor to provide a report that allows full reconciliation of all ACH and Lockbox payments to the MUNIS system.
4. Review all aspects of the contract for compliance and should the contractor fail to meet all terms and conditions; contact the Purchasing Division for remedial action.

Departmental Response

The Fire Department provided a detailed response to our recommendations. The Fire Department substantially agreed with recommendation one (1) and three (3) but stated that the nature of the collateral purchasing arrangement with the current vendor prevented them from taking more aggressive collection action listed in recommendations two (2) and four (4). Discussions with the Purchasing Division indicated that the Fire Department is free to make use of all contract administration tools available under the Alexandria Procurement Policy.

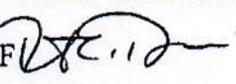
The Office of Internal Audit will coordinate with the Fire Department in order to ensure that the written policies are prepared for the ambulance billing program.

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 17, 2019

TO: ROBERT SNYDER, ACTING CHIEF INTERNAL AUDITOR

FROM: ROBERT DUBÉ, FIRE CHIEF 

SUBJECT: FIRE DEPARTMENT RESPONSE TO OFFICE OF INTERNAL AUDIT
REVIEW OF AMBULANCE BILLING PROGRAM AR 19-01

Thank you for the opportunity to review and comment on the Internal Auditor's report Review of Ambulance Billing Program. In particular, our thanks go to Rob Snyder and Eric Carter from the Office of Internal Auditor (OIA) who conducted the review. Our staff found them to be thorough and professional. Further, we appreciate the recommendations offered by OIA and will look for ways to improve our processes. We are pleased that this report showed no findings of either the contractor being in violation of their contract or AFD staff in violation of financial management policies. There were no examples of the contractor incorrectly charging the City, nor any examples of the contractor reporting revenue incorrectly, and no examples of City staff incorrectly monitoring or managing the contract.

While I will ask Fire Department staff to follow up on several of the recommendations offered, and mostly agree on the facts found by the OIA, I must disagree with several conclusions made in the report. Most notably the conclusion that: "The lack of written policies and procedures prevents the AFD from holding the contractor fully accountably with the terms and conditions of the contract." (Page 8, 2nd paragraph). The idea that the "AFD lacks written procedures" and thus "does not allow the department to hold the contractor fully accountable" is repeated throughout the report. We believe this concept to be mistaken and leading to faulty conclusions about both the ability to hold the contractor accountable, and its ability to generate more revenue for the City.

We understood that the primary question in this report that the OIA sought to answer was why ambulance billing revenue has not materialized to budgeted revenue levels since the City last increase rates in the FY 2016 budget. This is examining a one-year snapshot, not a multi-year examination of revenue. This report answers that question on pages 4-7 as it explains the declining payments from insurance, Medicaid changes, and the increase in self-pay accounts. The first two issues are out of the City's control, and the third issue is mostly out of the City's control. If an individual does not report themselves as being covered by an insurance company to our medical providers or gives inaccurate insurance information (even if well-intentioned), our medical providers report wrong information to the billing company (contractor), who then has their claims rejected by the insurance companies. This results in these individuals being reported as self-pay users of the system and kicked out of the insurance billing category. From there, the

City's soft billing approach does not enforce or require individuals to pay. Establishing internal policies and procedures (particularly financial policies about overseeing the contractor or truing up accounts) will do nothing to change these results or improve revenue collection.

We do agree with the report regarding the development of written policies that, "...will allow the department to have confidence that should an employee retire or resign that all the billing process will remain on track." (Page 8, 2nd paragraph). We can also agree that there is a desire to decrease self-pay accounts and work to charge patients who have insurance to their insurance companies. However, as discussed previously the development of internal written policies around financial processes will not improve these operations, and do not indicate how they will allow us to hold the contractor accountable.

With regards to individual reconciliation of accounts, we agree that this report would be helpful to have and we have already contacted the contractor to assist us with providing such a report. The problem is that a cross reference report would do very little to assist with greater revenue collection. All this report would do is allow us to understand the greater detail behind the aggregate revenue information and amounts that the contractor is already providing. Also as explained to the OIA, due to the volume of payments and delays in payments, reconciliation of month-to-month revenue is extremely time consuming as it requires tracing approximately 700-800 individuals payments per month which vary across the months (and sometimes years) in which they were billed. The AFD simply does not have sufficient staff to do this level of detail. While such a report may help us better understand the aggregate data that the contractor is sending us, it would do very little to help us hold the contractor accountable and nothing to assist with more revenue generation. It would only confirm which accounts have not paid within the month – something we can currently determine, albeit in a very time-consuming manner.

As we have explained to the OIA, the tracking and timing of individual payments can vary greatly which can skew figures. Some payments are received promptly while others can take months to the point they cross fiscal years. This makes it extremely difficult to draw conclusions from any one number/fact. One example is that the report states "the overall collection rate declined 10% between 2018 & 2017" (page 4 with table below it).

While this fact is true, it fails to account for the fact that in FY 2018, revenues to the City actually *increased* by almost \$100,000 in that same year as the chart on page 7 shows. This increase in revenue occurred with gross charges only ~\$30,000 difference between fiscal years and a lower net payment figure. Examples such as this show just how difficult it can be to draw conclusions when looking at one number in this report. As this is a one-year snapshot further study, using a multi-year approach would yield far more information about the revenue this program has produced.

It is also worth noting that Arlington County also has an ambulance billing program and uses the same vendor which makes comparisons easy to make. Through Arlington's program is larger (they bill ~\$6.2M in a fiscal year whereas Alexandria bills \$4.8M), they have very similar results to Alexandria as shown on the next page. While not ignoring that improvements can be made, it shows that Alexandria is not significantly different from a neighboring jurisdiction.

The data below compares November 2017 – November 2018:

	Arlington	Alexandria
Gross Collections as a % of net Gross Charges	57%	54%
Net receipts as a % of Gross Charges	56%	54%
Average Aging Balance	\$2.2M	\$1.7M

As a result, we would like to comment on the recommendations from the Office of the Internal Auditor (our response is in red below each recommendation):

1. Develop written policies and procedures to improve contract oversight. The policy should focus on actions staff members will take to ensure the contractor complies with the terms and conditions of the contract. Specific procedures should address steps for reconciliation of contractor reports to the MUNIS system and refund operations.

The Department will do so as this will assist us should turnover in staff occur.

The Department can also develop procedures for refunds as well, though this process is already well documented by the vendor and is a relatively simple process as the vendor submits documents requesting the refund and shows proof of overpayments by individual/insurance company. These items are all documented today and are shown in the MUNIS system for anyone to view and already follow our current policy on invoice payments. Creating a new policy for refunds will likely be short as the processes are relatively simple.

As previously discussed, both policies will do very little with regards to “improve contractor oversight.” There were no examples of the contractor incorrectly charging the City, nor any examples of the City not receiving revenue it is due.

2. Direct the contractor to provide a list of options to increase the collection rate and decrease the number of accounts classified as self-pay.

Due the nature of contract, we cannot direct the contractor to do this, however our relationship with the contractor allows us to ask them for options. As we already meet with the contractor annually and have already discussed this option with them, their primary recommendation is to change our policy of soft billing to a stronger system and begin some form of collections for accounts. It is our opinion this would not be an acceptable approach with the City management.

3. Direct the contractor to provide a report that allows full reconciliation of all ACH & Lockbox payments to the MUNIS system.

We agree that this report would be helpful to have and we have contacted the contractor to assist us with providing such a report. The problem is that a cross reference report while helpful to look at individual payments, would not do anything to assist with greater revenue collection. All this report would do is allow us to understand the greater detail behind the aggregate revenue amounts received and true up a specific account to a specific payment. This report would do very little to assist with managing the contractor for compliance.

4. Review all aspects of the contract for compliance and should the contractor fail to meet all terms and conditions; contact the Purchasing Division for remedial action.

There were no examples or concerns provided in the audit report of the contractor failing to meet the terms and conditions of the contract, nor have there been any failures that we have found to date. There are no examples or indication from the OIA report that the contractor has missed billings, or overcharged the City per the terms of the contract. Staff will continue to review and monitor this for problems, but has not seen anything to date that suggests the contractor is failing to meet all terms and conditions of the contract.

