FLORIDA DEPARTMENT OF HEALTH
OFFICE OF INSPECTOR GENERAL

COUNTY HEALTH DEPARTMENTS MEDICAID MANAGED CARE BILLING

Report # A-1617DOH-006 • August 31, 2017

PURPOSE OF THIS PROJECT

Audit the efficiency and effectiveness of Medicaid Managed Care Billing (Billing) by Department of Health's (Department) county health departments (CHD) with the primary focus on timeliness and accuracy of billing. Communicate material control weaknesses associated with current CHD billing operations that may require management's attention. Provide management with information related to potential economies of scale within the billing processes identified during the audit.

WHAT WAS EVALUATED

We examined data retrieved from the *Health Management System* (HMS) using the Logi reporting tool. Analysis was performed to determine paid/collection rates and amounts, denial rates and amounts, and bill file creation (BFC) frequency in the HMS. We examined all data in addition to partitioning into the following data sets:

- Stand Alone CHDs (i.e. a CHD that performs its own billing for medical services provided.)
- Servicing CHDs (i.e. the billing data of a CHD that bills for medical services provided in that county. The Servicing CHD also performs the billing for other CHDs.)
- Serviced CHDs (i.e. the billing data of a CHD that has a Servicing CHD perform its billing for medical services provided.)

In total, we sampled 20 of the 67 CHDs for testing. We examined billing data for the sampled Serviced CHDs for a three-month span before and a three-month span after the service agreement was put in place. We examined billing data from January through March 2017 for the sampled Stand Alone CHDs and Servicing CHDs.

SUMMARY OF RESULTS

No major efficiency or effectiveness issues for billing were identified during this engagement. Management should use data and reports available to continue to monitor for sharp declines with the efficiency and effectiveness of account receivables associated with CHD billing.

BACKGROUND

Chapter 409, Part IV, *Florida Statutes* (F.S.) establishes Medicaid Managed Care. A managed care plan is an eligible plan under contract with the Florida Agency for Health Care Administration to provide services in the Medicaid program. CHDs provide services billable to the managed care plans.

Section 641.3155(3), F.S. establishes managed care plans shall, within 20 days after receipt of all electronic claims, pay the claim or notify a provider or designee if a claim is denied or contested. Where a claim is denied or contested, the provider must submit additional information or documentation within 35 days after notification. A claim must be paid or denied within 90 days of receipt. Failure to pay or deny a claim within 120 days of receipt creates an uncontestable obligation to pay the claim. All overdue payments bear simple interest of 12 percent per year.

Interest begins to accrue when the claim should have been paid, denied or contested. The interest is payable with the payment of the claim.

Internal Operating Procedure (IOP) 56-66-16, *Accounts Receivable*, details the approved process whereby CHDs must charge and collect fees for services per the established billing hierarchy. CHDs must properly manage their accounts receivable for billing, collections, and write-offs, as outlined in the IOP.

DETAILED RESULTS AND RECOMMENDATIONS

No material exceptions associated with the efficiency or effectiveness of electronic Medicaid managed care billing were identified during this engagement.

Overall we examined $20,458,297 amount billed and $17,180,813 amount paid. Here are additional details from our overall examination:

- Overall paid/collection rate was 86%
- A total of 617,904 billed services
- $1,533,476 denied amount
- 33,780 denied services
- An average of 13 BFCs ran in HMS per CHD. The BFC is indicative of billing for services in a timely manner. BFC will compile bills for all completed services to be submitted to the payer unless specifically withheld from the BFC.
- An average of 3 BFCs were ran weekly in HMS per CHD.

Here are details for Stand Alone CHDs:

- Overall paid/billed collection rate was 87%
- Overall average denial percentage was 8.9%
- $8,823,487 total billed.
- $7,609,307 total paid.
- An average of 19.5 BFCs in total and 5 run per week.
- A total of 276,837 billed services.

Here are details for Servicing CHDs:

- Overall paid/billed collection rate was 83%
- Overall average denial percentage was 4%
- $5,253,505 total billed.
- $4,064,825 total paid.
- An average of 18 BFCs in total and 5 run per week.
- A total of 165,068 billed services.

Here are details for Serviced CHDs before the service agreement:

- Overall paid/billed collection rate was 90%
- Overall average denial percentage was 8%
- $3,305,248 total billed.
- $2,870,172 total paid.
- An average of 9 BFCs in total and 2 run per week.
- A total of 90,023 billed services.

Here are details for Serviced CHDs after the Service Agreement:

- Overall paid/billed collection rate was 83%
- Overall average denial percentage was 11%
- $3,076,056 total billed.
- $2,636,509 total paid.
- An average of 8 BFCs in total and 2 run per week.
- 85,976 billed services.

Other observations of Serviced CHDs:

- Some CHDs experienced a slight drop in collection rate after the service agreement. However, the denial rates generally did not change with a few minor exceptions. A steady and/or low denial rate is indicative of the frequency of "clean claim" submissions. These are claims that paid the allowed amount on first adjudication.
- Though we did not examine closely, reasons for instances where CHDs experience a monthly collection rate above 100% may include the CHD collected more than what was billed (i.e. the payer reimburses more than what was billed) or the CHD may have collected previous months' billing. Conversely, a CHD may experience a collection rate less than 100% and have a 0% denial rate. The latter is not to be expected, but is used as an example when examining collection and denial percentages. This is not an exhaustive list of either scenario nor was claim specifics researched for this project.

MANAGEMENT COMMENT

We recommend management continue to monitor the efficiency and effectiveness of Medicaid Managed Care Billing with a focus on timeliness and accuracy of billing by CHD and by regionalized billing services. This information is available upon request from the Bureau of Clinic Management and Informatics. We did not identify recommendations to improve economies of scale for the billing process as a result of our audit engagement. However, through continued monitoring the Department may identify areas that need attention and/or improvement, resulting in better economies of scale and overall process improvements. This item does not require a response from management.

SUPPLEMENTAL INFORMATION

Section 20.055, *Florida Statutes,* charges the Department's Office of Inspector General with responsibility to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in government.

Michelle L. Weaver, CISA, Senior Management Analyst II, conducted the audit under the supervision of Mark H. Boehmer, CPA, Director of Auditing.

Our methodology included sampling CHDs that conduct their own billing services and CHDs that pay for billing services (e.g. regionalized billing) to isolate any timeliness and accuracy issues. Denial and payment/collection percentages, BFC frequency were used to assess timeliness and accuracy.

This audit was conducted in conformance with *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors, as provided by Section 20.055(6)(a), *Florida Statutes*, and as recommended by Quality Standards for Audits by

Offices of Inspector General (*Principles and Standards for Offices of Inspectors General*, Association of Inspectors General).

We want to thank management and staff in the Department's Bureau of Clinic Management and Informatics for the information and documentation provided, and for their cooperation throughout the project.

Copies of all final reports are available on our website at **www.floridahealth.gov** (**search: internal audit**). If you have questions or comments, please contact us by:

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