

Digest of Division of Family Health Services New Accounts Receivable System

In response to a request by Speaker H. Craig Moody, we conducted a review of the new accounts receivable (billing) system that the Division of Family Health Services (DFHS) is attempting to implement. Our conclusion is that this system may fail without much stronger staff support. Strong staff support is important because it is the staff who ultimately implement the system. Management needs to gain staff support by addressing and answering staff concerns regarding the system's effect on client treatment and changes in billing procedures. Publishing the results of a pilot test currently under way within a bureau of the division should help allay staff concerns. During our review, we also became aware that the contract between DFHS and the billing agent, Meditech, may not be in compliance with Medicaid policies. We suggest Medicaid officials conduct their own review of the contract. Finally, late in our review a concern involving Granite School District's use of DFHS's accounts receivable system was raised. We did not have time to investigate this concern but suggest it be looked into by Medicaid.

Because of frequent criticism from federal auditors, DFHS has tried to develop an accounts receivable system that aggressively pursues third-party payments for services rendered. To test the new accounts receivable system, a pilot project was begun in Children's Special Health Services (CSHS), a bureau of DFHS, on December 11, 1989. Speaker Moody became concerned with this new accounts receivable system when CSHS employees approached him alleging fraud involving use of the system. The allegations centered on the use of certain billing codes which were felt to misrepresent the services actually being provided. While we did not find any evidence of fraud, we did identify and review a number of significant issues that need to be satisfactorily resolved by management in order for the accounts receivable system to succeed.

Differing Opinions About System Impact and Procedures Must Be Resolved.

Management and staff have opposing opinions regarding the system's impact on clients and the availability of treatment. Management thinks the impact is going to be positive, that by aggressively pursuing third-party payments and by billing clients for a percentage of the balance not paid by third-party payors, additional treatment monies for clients will be generated with no negative impact on the client population served. Staff, however, fear the impact is going to be negative, that the cost of the system is going to reduce treatment funds available and the client population served. Given the protective feelings that staff have towards their clients, this fear is very potent. In order to receive the staff support necessary for successful system implementation, management must provide information on system impact.

In addition, management and staff also have significantly different opinions on various procedures of the accounts receivable system. These differences of opinion are currently primary sources of resistance and contention between staff and management because, in many cases, staff feel they are being asked to do illegal and unethical things. In addition, staff believe that

management has been unresponsive to their concerns. In our opinion, management needs to take positive steps towards overcoming this belief by actively involving staff in resolving issues in the following areas: (1) Meditech's use of two physicians' Current Procedural Terminology (CPT) billing codes, (2) changes and modifications made to billing forms without the service provider's knowledge, (3) rates charged for services not matching the fee schedule, and (5) billing documents being inaccessible to service providers. Since the accounts receivable project is in the pilot stage, this seems to be an opportune time to resolve these issues and insure that both management and staff are working towards common objectives.

Meditech's Contract Needs Review. In addition to resolving the issues surrounding the new accounts receivable system, DFHS and Medicaid officials need to review the contract between DFHS and Meditech to ensure that Medicaid policies are not being violated. Currently, Meditech receives 7 percent of billings collected as part of their compensation. In our opinion, this arrangement may violate Medicaid Policy 447.10f. A violation of Medicaid policies could reduce future Medicaid funding. If the contract is found to be in compliance with Medicaid policies, DFHS will need to ensure that strong billing controls are in place if Meditech is to continue to be paid a percentage of billing collections.

A Concern Exists With Granite School District Billing. At the end of this review, we were presented with a concern regarding Granite School District. For the past year, Granite School District has been billing Medicaid and other third-party insurers through DFHS's pilot accounts receivable program for services rendered to approximately 50 severely handicapped preschoolers. According to the Director of Health Care Financing, this practice is acceptable as long as Granite School District meets Medicaid's requirements for service providers. The concerns presented to us question whether Granite does in fact meet Medicaid's requirements. We were presented with this allegation so late in the audit that we did not have time to pursue the issue in depth. Since Medicaid funding is possibly in jeopardy, we think that the Division of Health Care Financing should look into this allegation and determine whether or not Granite School District's handicapped services meets Medicaid's requirements for service providers.