Strategies for Auditing & Improving the Charge Capture Process

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About the Presenter

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Richard is a Senior Manager, and Matt is a Manager, in the Dallas office of Protiviti Inc., an Internal Audit and Independent Risk Consulting company that helps organizations identify, measure, and manage operational and technology related risks throughout systems and processes. Richard and Matt are key leaders in Protiviti's Healthcare Internal Audit and Revenue Assurance practices and have worked extensively with a number of providers in assessing and improving their revenue cycle operations and processes. They have also provided numerous training and awareness sessions focusing on the provider revenue cycle and its impact on hospital operations.

Richard received his MBA in Accounting and Information Systems and his Bachelors degree in Accounting. Matt received his Bachelors degrees in Management Information Systems and Business Management. Richard and Matt are active members of the Project Management Institute (PMI), Institute of Internal Auditors (IIA), Association of Healthcare Internal Auditors (AHIA), Healthcare Financial Management Association (HFMA), and the Health Care Compliance Association (HCCA).
Our Goals Today

This session will focus on charge capture improvement efforts and provide a risk-based approach for successfully understanding, assessing, and improving charge capture processes in healthcare organizations.

During this session, we will accomplish the following objectives:

• Obtain a basic understanding of the charge capture process and address the necessity for conducting a charge capture audit.

• Provide a basic control framework as a baseline for identifying risks, developing controls, and enhancing key charge capture processes.

• Discuss a strategic approach for conducting a successful charge capture audit that will enable one to gain a thorough understanding of key charge capture processes, facilitate the understanding of key business processes and controls, and effectively communicate key findings and recommendations with process owners and executive management.
Financial success is directly dependent upon accurately charging for services rendered. An effective charge capture program includes proper utilization of charge information, processes, and systems, and should be characteristic of the following:

- Emphasizing equal importance of administrative responsibilities to that placed on patient care
- Ensuring that all services rendered are captured and posted timely, accurately, and completely
- Establishing accountability for assigned responsibilities
- Performing overall monitoring to ensure that policies and procedures are followed consistently
- Providing performance feedback
- Effectively implementing new pricing or charging methodologies
What are typical reasons for charge capture deficiencies?

• Charge capture activities are typically performed by care providers and are perceived as a lower priority administrative function.
• Because it is rarely explained, care providers do not understand the risks associated and potential consequences for not capturing charges timely, accurately, and completely.
• Charge capture responsibilities are extremely decentralized across organizations.
• Formal policies and consistency standards do not exist to provide organizational guidance and baseline controls for charge posting and reconciliation functions.
• Different charge capture and charge entry systems are commonly utilized.
• Monitoring and feedback reporting for each department’s charge posting and reconciling responsibilities is inadequate.
• There is little to no coordination between departments or training for those responsible for charge capture activities.
• In many departments, administrative assistants earning moderate wages are given responsibility for charge posting and reconciling activities.
What is the impact of deficient charge capture processes?

**Reimbursement**
- Missed revenue opportunity
- Delayed payment; increased back-end rework
- Increased days in accounts receivable
- Inadequate data for contract negotiation

**Regulatory Compliance**
- Expensive penalties
- Inaccurate billing leading to payer denials
- Medicare inquiries

**Patient Satisfaction**
- Incorrectly billing or re-billing patients, leading to patient dissatisfaction

An effective charge capture audit is aimed at improving and streamlining charge capture processes enabling the entity and providers to improve patient satisfaction and enhance profitability, as well as providing more effective communication and corroboration between departmental areas.
Patient Arrival at Department
- Ensure a reliable schedule, log-book, or other report/mechanism is established to document all patients treated
- Confirm that patient account numbers in medical record documentation and patient labels match prior to treating the patient
- Identify and select correct accounts within the charge posting system

Charge Sheet Utilization
- All departments should have a charge sheet (manual or electronic) documenting all chargeable procedures and supplies
- Review completed charge sheets for discrepancies prior to posting
- Charge sheets should be reviewed on a semi-annual basis for completeness and update as needed

Daily Reconciliation
- Reconcile charge sheets to a schedule, log-book, or other report/mechanism to ensure charges are captured for all patients treated
- Reconcile charges posted in the charge posting system (e.g., Departmental Charge Report) to charge sheets to ensure accurate and complete entry of all charges
- Review error reports and reconcile corrections

Charge Entry
- All charges should be posted the day service is rendered
- Verify the patient account number prior to entering charges
- Only enter charges that are documented on the charge sheet
- Visually inspect items entered into the system for accuracy prior to posting

CDM and Charge Screen Updates

Documented Policies and Procedures

Education and Training

Monitoring and Feedback
1. Ensure a reliable schedule, log-book, or other report/mechanism is established to document all patients treated
   - This mechanism should accurately reflect all patients treated within each department to be utilized in downstream reconciliation processes.

2. Confirm that patient account numbers in medical record documentation and patient labels match prior to treating the patient
   - Account numbers on patient labels printed by departments should be matched to account numbers on face sheets/patient labels from Patient Access.
   - If discrepancies are identified when confirming the patient account number, Patient Access should be contacted for resolution.

3. Identify and select the correct account when selecting patients in the charge entry system/patient encounter screen
   - Departments should use the “patient account number” identified in medical record documentation (e.g., face sheets, labels, physician orders) to accurately select the patient account when selecting patients.
   - Verify key patient data is correct (e.g., patient name, date of birth, date of service, etc.).
1. Departments should utilize a charge sheet/order requisition documenting all chargeable procedures, as well as those supplies departments are responsible for posting
   - Charge sheets should be utilized by departments to ensure that all services rendered are documented for accurate charge posting. Departments should document all items/services provided that are not already listed on the requisition.
   - Charge sheets will also be utilized in downstream reconciliation processes.

2. Visually inspect items indicated on the charge sheet for completeness prior to submitting for charge entry
   - Care providers should perform an inspection of items indicated on each charge sheet to ensure that all services rendered were documented.

3. Charge sheets/system charge selection screens should be reviewed, and updated as necessary, on a semiannual basis to ensure completeness and accuracy
   - Any item not listed on the charge sheet/system charge selection screen should be added, and if necessary, updated in the Charge Description Master (CDM).
   - Any charge item that is no longer provided should be deleted from the charge sheet/system charge selection screen.
1. All charges should be posted the day service is rendered
   - Personnel should enter charges on the date of service or follow department guidelines/timeframes for timely posting of charges.
   - Any situations that arise inhibiting the posting of charges within the department guidelines/timeframes should be communicated to the department Manager/Director.

2. Personnel should verify the patient account number prior to entering charges
   - Departments should utilize the patient account number in medical record documentation (e.g., face sheets, labels, physician orders, etc.) to access the patient account in the particular department system.
   - Verify key patient data is correct (e.g., patient name, date of birth, date of service, etc.) and, if discrepancies are identified, contact Patient Access (or other responsible department) for resolution.
1. Designate personnel responsible for reconciling charge sheets to a schedule, log-book, or other report/mechanism to ensure charges are captured for all patients treated

   - Ensure a charge sheet has been completed for each patient treated.
   - Tic marks and signatures should be noted on reconciliation work-papers confirming completion.
   - Require a care provider to complete a replacement charge sheet (or enter charges in charge system, if applicable) using medical record documentation if a charge sheet/order requisition is identified as missing.
   - Complete this reconciliation no later than the day following the date of charge entry, providing ample time for correction(s) prior to bill submission.
   - Reconciliation work-papers should be maintained for a period of at least 90 days.
   - Department Managers/Directors should review reconciliation work-papers periodically to ensure compliance with entity charge capture standards.
1. **Designate personnel responsible for reconciling charges posted in the charge posting system to charge sheets to ensure accurate and complete entry of all charges**
   - Any charges documented on the charge sheet that are not reflected in charge reports should be noted and posted.
   - Tic marks and signatures should be noted on reconciliation work-papers confirming completion.
   - Any suspected discrepancy, such as a charge omitted from a charge sheet, should be resolved by a care provider using medical record documentation.
   - Complete this reconciliation no later than the day following the date of charge entry, providing ample time for correction(s) prior to bill submission.
   - Reconciliation work-papers should be maintained for a period of at least 90 days.
   - Department Managers/Directors should review reconciliation work-papers periodically to ensure compliance with entity charge capture standards.
1. Designate personnel responsible for reviewing error or late charge reports
   • Review system interface reports to ensure all charges interface appropriately.
   • Review late charge reports (e.g., reports showing charges that were entered after the bill was submitted) to identify and communicate improvement opportunities to the Manager/Director.

2. Designate personnel responsible for reconciling corrections made in the system to errors identified on reconciliation work-papers to ensure all discrepancies were addressed
   • Tic marks and signatures should be noted on reconciliation work-papers confirming corrections have been completed.
   • Complete reconciliation activities no later than the day following date of charge entry, providing ample time for correction(s) prior to bill submission.
   • Reconciliation work-papers should be maintained for a period of at least 90 days.
   • Department Managers/Directors should review reconciliation work-papers periodically to ensure compliance with entity charge capture standards.
Other Considerations

- **Price thresholds and materiality posting criteria** - If your organization employs this strategy, ensure that all supplies and procedures in excess of the set materiality amount have a CDM number.

- **Posting miscellaneous charges** - If your organization utilizes different modules or screens for posting miscellaneous charges, it is likely that fewer or different system controls will exist. Access to these screens should be closely monitored to ensure personnel are not using these screens for unintended purposes (e.g., corrections, movement of charges, normal posting of items listed on charge sheets, etc.).

- **Departmental specific procedures** - Each department should have specific procedures documented that explain the standard process for capturing and entering charges for services rendered. These procedures should support entity-wide charge capture policies.

- **Personnel back-ups** - Each department should have properly trained back-ups for charge posting and reconciliation activities.

- **Formal CDM update process** - Each department should be familiar and comply with the CDM update process. This process should be part of the entity-wide charge capture policy and should explicitly identify approval requirements.

- **Quality assurance programs** - Each entity should have a charge capture quality assurance program whose primary responsibility is to monitor ongoing efforts, provide support, perform periodic testing, and develop/deliver education programs.
Charge Capture Control Framework (cont’d)

Quality assurance initiatives should include the following:

- Formalizing entity-wide policy standards that positively impact all departments and coordinating periodic audits of departmental processes and tools to ensure compliance.
- Serving as a central point of contact for addressing departmental concerns and/or desired changes within charge capture processes.
- Implementing a mechanism for communicating and resolving charge entry discrepancies identified by departments such as Patient Access, Patient Accounts, Decision Support, Compliance Office, etc.
- Coordinating the provision of monitoring and performance feedback reports for trending and continuous identification of charge capture improvement opportunities.
- Investigating additional reports and charge entry screens to be utilized by departments for charge posting and reconciling activities.
- Implementing a formal charge capture process education program.
What should be the overall objective of a charge capture improvement audit?

- The primary objective is to evaluate the effectiveness of *internal controls* surrounding existing charge capture functions and perform a high-level assessment of existing charge capture monitoring, tracking, and reporting procedures to identify business process and/or system improvement opportunities within existing operations that, when implemented, would lead to enhanced profitability, cash flow, and compliance.

- Additional objectives are the overall enhancement of information required for billing and collections processes, as well as the improvement in communication and collaboration between departments.

What is involved in a charge capture improvement audit?

- It typically requires three days for three skilled resources to assess the average department. The timeframe required is contingent upon the type of departments included within scope, as well as the number of personnel and skill-mix dedicated to the audit. Departments with a higher frequency of error may include:
  - Angiography/Radiology
  - Emergency Room
  - Surgery/Anesthesia Recovery
  - Intensive Care Unit/Critical Care Unit
  - Pharmacy/Lab
  - Birth Center/L&D

- It also involves assessing the department(s) or person(s) responsible for monitoring, tracking, and reporting to identify deficiencies or opportunities for improvement within the quality assurance functions related to charge capture processes.
Auditing Approach (cont’d)

How should the audit be performed?

This approach is based on gaining an understanding of the business as a means to identify, source, and measure business risk at both the organizational and business process level.

Quality and effective communications are built into this methodology with the goal of working with process owners as a value-added service.

This approach is designed to analyze and respond to important questions, such as:

- What are the significant business risks, both external and internal, that impact the process?
- How and how well are those risks being managed and controlled?
- What key measures are used to monitor the process? Are they the right ones?
- Are the measures, and other management information used, reliable?
- How efficient is the process in operation?
- How can the process be improved to bring its performance closer to leading standards?
• Review policies, procedures, and system application manual(s) related to charge capture processes to gain an understanding of current formal processes and system functionality. Also, review documentation from prior reviews performed to identify problematic areas to focus audit efforts.

• Interview and observe key personnel responsible for specific charge capture processes including charge posting, charge reconciliation, CDM updating, charge screen maintenance/updates, as well as tracking, reporting, and monitoring processes. Observing the use of applications and systems is critical.

• Identify and document, in detail, risks and control deficiencies noted (e.g., not posting charges, posting charges after billing cycle, charging for incorrect service(s), charging multiple accounts, service not listed on charge sheet/charge screen, not reconciling charges, not reviewing error reports, etc.).

• Compare existing charge capture processes against industry leading practices and analyze the potential impact of identified gaps and control concerns. This analysis should include the potential impact one department’s deficiencies may have on other departments’ processes.
Develop and Report Recommendations

- Meet with departmental leadership in affected areas to provide feedback for risks identified and potential recommended enhancements. Departmental leadership should play an active role in identifying realistic solutions to be implemented and will be a great help in identifying barriers to success. This will assist in building consensus around performance gap solutions.

- Discuss significant findings and recommendations with Executive Management and provide justification for implementing changes. During this step work to understand which recommendations might be viewed as a short-term versus long-term solution, while also confirming that recommendations are truly attainable for the organization.

- Develop process improvement recommendations to include consistent standards and controls to be implemented within each department to ensure charges are captured timely, accurately, and completely. This is usually best communicated via a departmental-specific detailed observations and action plan matrix.

- Develop entity-level process improvement initiatives which describe how to implement charge capture and monitoring controls that will allow the organization to successfully achieve short-term and long-term goals for improving charge capture and monitoring processes.
Auditing Approach (cont’d)

Additional Considerations

- Management and Board/Audit Committee expectations
- “No surprises” auditing and reporting approach
- Project management, change management, and implementation oversight (e.g., detailed workplans, implementation project plans, deployment plans, etc.)
  - Long-term support programs
  - Education programs
  - Follow-up reviews
Final Remarks

• As you evaluate your approach to auditing charge capture processes within your organization, it may be necessary to begin with statistical sampling of patient data to better pinpoint where you should initiate audit activities.

• Top leadership may be willing to dedicate additional resources to the effort if you are able to quantify the potential financial opportunity or compliance risk that may exist if charge capture processes were improved.

• Building an effective charge capture process is an ongoing effort. Be sure to continually benchmark your performance against leading industry practices and monitor your efforts through an ongoing quality assurance program. The sooner you can begin quantifying data, the sooner you will find support.
Questions?

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