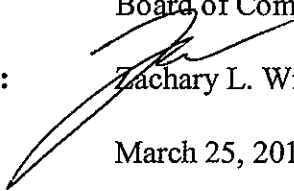


OFFICE OF THE COUNTY MANAGER

MAR 26 2010



To: Board of Commissioners
From:  Zachary L. Williams, County Manager
Date: March 25, 2010
Subject: Audit of Grady Fourth Quarter Data

Attached please find information and supporting documentation relating to the review of Grady Hospital fourth quarter patient data, the following documents are attached for your review:

- The audit report for the fourth quarter prepared by Internal Audit
- The reconciliation of payments made for the fourth quarter
- The timeline of audit activity for the fourth quarter audit

Please contact me if additional information is required.



INTER-OFFICE MEMORANDUM

TO: Zachary Williams, County Manager
FROM: Anthony Nicks, Director of Internal Audit
DATE: March 23, 2010
SUBJECT: GMH Compliance Report

Background

Grady Memorial Hospital (GMH) is authorized under the direction of the Fulton-DeKalb Hospital Authority and by the amended Memorandum of Understanding (MOU) dated November 4, 2009, to provide medical services to those citizens classified as indigent and charity patients as stipulated in Section 2, Item #1, Certification of Need, of the MOU. GMH is obligated to deliver medical services in compliance with the standards of care established by the Joint Commission's Hospital Accreditation Standards and the Center for Medicare and Medicaid Services Guidelines.

We have reviewed the Fulton County Indigent Care Analysis Report received from Grady Memorial Hospital for patients receiving health care services, during the fourth quarter of 2009. The report disclosed the following statistics for indigent and charity patients served:

Patient Type	Number Served	Charges	Cost	Payment Received	Uncompensated Cost
Indigent	45,962	\$51,603,282	\$24,982,628	\$3,996,665	20,985,962
Charity	12,701	\$13,132,433	\$6,148,718	\$1,383,628	\$4,765,090

We reviewed a sample of 288 patients' files from a population of 58,663 Grady Memorial Hospital patients' accounts for the fourth quarter of 2009. The files were selected using a statistical model which is designed to provide a representative sample of the total population. The sample selection model provides a 95% confidence level of our audit results. The purpose of our review was to provide assurance that the uncompensated health care cost for the fourth quarter was the direct result of services delivered to Fulton County citizens eligible to receive indigent and charitable health care services. Our review focused on the eligibility of the patient as defined in the MOU. Per the MOU, a patient is considered eligible if they meet both the income and residency requirements. The requirements are:

Income

The income requirements states that patients fall into two categories. (1.) Those patients whose individual or family income is less than 250% of the Federal Poverty Limit Guideline are eligible to receive services on a sliding scale basis. (2.) Those patients whose income falls at or below 125% of the Federal Poverty Limit Guideline are eligible to receive 100% discount.

Residency

The residency requirements state that a patient must be a verified resident of Fulton County for at least 30 days at the time of provision of services. In determining residency, the hospital has implemented several policies and procedures that the staff should implement prior to providing services. These policies are detailed under Grady Health System Operational Policy, Verification of Residency- Grady Health System- Financial Assistance Program/ Financial Eligibility Scale. The policies and procedures regarding verification of residency are on file in the Internal Audit office.

As a result of our review, we found several exceptions which relate to compliance with GMH eligibility and documentation policies and procedures. The exceptions are listed as income and residency, eligibility, and documentation exceptions. Documentation exceptions include insufficient documentation to support identity, earnings, and charges. The results are summarized below.

Exception Summarized by Month	Oct.	Nov	Dec	Total
Identification documentation exceptions	20	11	19	50
Income eligibility exceptions	4	3	4	11
Residency eligibility exceptions	9	4	8	21
Residency documentation exceptions	1	-	1	2
Residency and Income exceptions	6	2	5	13
Incomplete AR billing documentation not provided	2	-	-	2
Patients records containing charge exceptions	5	-	2	7
Total	47	20	39	106

Patient records containing identification documentation exceptions:

- There were 44 patients' financial files which contained no picture identification in the files.
- There were 5 patients with no valid Georgia driver's licenses.
- There was 1 patient with an expired Georgia driver's license.

These exceptions are not in compliance with the GHS Operational Policy and Patient Identification Revised 9/17/08. The identification documentation exceptions require that Hospital personnel conduct additional screening procedures and, as such, are not included in the reconciliation calculation.

Patient records containing income eligibility exceptions:

Patient records containing income eligibility exceptions:

- There were 3 patients' earnings which exceeded the income eligibility threshold.

This exception is not in compliance with the GHS – Financial Eligibility Scale- Effective April 1, 2009, GHS Operational Policy – Financial Counseling revised 08/03/09, and GHS Financial Assistance Program Requirements.

- There were 4 patient files with insufficient documentation available to verify income eligibility.

This exception is not in compliance with the GHS Operational Policy – Financial Counseling Revised 08/03/09 and GHS Financial Assistance Program Requirements Revised 08/09.

- In 2007, earnings were erroneously used to determine the income eligibility of 1 patient and no proof of unemployment or DOL inquiry was in the file.

This exception is not in compliance with the GHS Operational Policy – Financial Counseling Revised 08/03/09 and GHS Financial Assistance Program Requirements Revised 08/09.

- There were 3 patients who did not comply with the Georgia Human Services review process to qualify for SSI and other benefits, as a result, the benefits were terminated. Therefore, it was impossible to determine if these patients qualified for K and M.

This exception is not in compliance with the GHS Operational Policy – Financial Counseling Revised 08/03/09 and GHS Financial Assistance Program Requirements Revised 08/09.

Patient records containing residency eligibility exceptions:

- There were 18 patient financial files that contained insufficient information to verify residency eligibility. These files were included in the calculation of the exception rate.

This exception is not in compliance with the GHS Operational Policy – Verification of Residency Revised -8/2/09.

- There were 3 patients with addresses located in other counties. These files were included in the calculation of the exception rate.

This exception is not in compliance with the GHS Operational Policy – Verification of Residency Revised -8/2/09 and MOU May 2009.

Patient records containing residency documentation exceptions:

- There were 2 patients with partial but not complete address documentation required by GMH's policy.

This exception is not in compliance with GHS Operational Policy – Verification of Residency

Revised -8/2/09 and MOU May 2009.

Patient records containing both income and residency exceptions:

- There were 13 patients' records with either insufficient or no documentation to verify income and residency. These files were included in the calculation of the exception rate.

This exception is not in compliance with GHS Operational Policy – Verification of Residency Revised -8/2/09 and MOU May 2009.

Patient records containing charge findings and AR billing discrepancies:

- There were 2 patient charges for which selected AR billing documentation was not provided. AR billing documentation provides the service codes which identify the medical procedures performed.
- There were 7 selected charges which did not agree with the encounter (medical) form charges and were not reconcilable to the charges listed as part of the Cost Description Master (CDM) file.

These exceptions are the result of our attempts to verify the patient charges. This procedure is an audit test and is not tied to a specific policy or law.

We also noted that from our sample of 288 patients selected for testing, a total of 11 patients were eligible for Medicare and 13 were eligible for Medicaid coverage. These patients are misclassified and should not be included in K or M.

These exceptions are not in compliance with the GHS Operational Policy – Financial Counseling Revised 08/03/09 and GHS Financial Assistance Program Requirements Revised 08/09.

The scope of our review is limited to the review of patients classified as indigent (K) and charitable (M). This report is intended solely for the use of the Fulton County, Georgia Board of Commissioners and the management of Fulton County.

**Grady Hospital
Reconciliation of Payment
Fourth Quarter 2009**

	4th Quarter
Total Reimbursement Requested Indigent Patient Care	
Type: Indigent K	\$ 20,985,962.00
Type: Charity M	<u>4,765,090.00</u>
Total Reimb Requested	\$ 25,751,052.00
less: deduction for non Fulton Residents 11.8 %	<u>3,038,624.14</u>
Total Eligible Indigent Care'	<u>\$ 22,712,427.86</u>
Prior Year ICTF Funds	\$ 9,550,023.00 *
Prior Year Allowable Grants	<u>3,779,760.00 **</u>
Total Amount of Credit	<u>\$ 13,329,783.00</u>
Total Eligible minus PY ICTF and Grant Funds**	\$ 9,382,644.86
Amount Disbursed by FC for Indigent Patient Care	<u>13,750,000.00</u>
Uncompensated Difference	(4,367,355.14) ***

Calculation of Non Fulton Residency

Only residency exceptions were used to calculate the exception rate

Patients with insufficient residency Info	18
Patients whose address is not in county	3
Files with insufficient residency and income Info	<u>13</u>
	34

Calculation of Exception Percentage

Files with Residency Exceptions	34
Total Files Reviews	288

% Deduction for the Quarter (34/288) 0.118056

* Calculated as \$3,183,341 times each month in the quarter

** Calculated as \$1,259,920 times each month in the quarter

*** Amount of overpayment for the quarter

Based on our calculation, it appears that we have overpaid the uncompensated care by \$4,367,355.14 for the last of FY 2009

INTER-OFFICE MEMORANDUM



TO: Anthony Nicks, Director of Internal Audit
FROM: Herman Hicks, Assistant Internal Audit Manager
DATE: March 1, 2010
SUBJECT: GMH Time Report

Work Schedule - 4th Quarter 2009 Patients' Records:

1/21/10

- Received Patients' detail of Oct, Nov, & Dec 2009 charges, cost, and payments.

1/22/10

- Sample of 288 patients' records was selected. The sample listing was submitted to Grady' financial division for records to be pulled.

1/25/10

- Cut off date of January 30, 2010 was established and Grady was notified via email.
- Set up meeting with CBH to discuss the coordination of the audit and findings resolution process.

1/26/10

- Sent an email to Grady's CFO establishing a tentative cut off date to have the patients' records available for our review. We agreed that it would be unreasonable to have all 288 records pulled before the due date of the MOU report to Fulton County in 5 days. The CFO stated that sufficient records would be pulled for us to commence our work.

1/27/10

- Received the Patients' Demographic Data Schedules which show the break down of charges incurred per patient. Some schedules are 20 or more pages.

1/28/10

- Received the remaining Demographic Data Schedules. We randomly selected one (1) charge per schedule, totaling to 288 items selected, which correlates to our statistical sample size.

1/28-1/29/10

- Using flow port, we emailed our drilled sample selections for Oct, Nov, and Dec 2009 to Grady's Director of Internal Audit for the encounter forms to be retrieved. The encounter forms document type and authorization of medical procedures to be performed.

GMH Time Report
March 1, 2010

1/29/10

- Reviewed and input sample data into the work paper format used to test patients' eligibility attributes and medical costs incurred for the months of Oct., Nov., and Dec. 2009.
- Found errors in computing the costs incurred derived from multiplying the charges incurred times the cost to charge ratios. Sent request to Grady (Esther Bailes) to review Demographic Data Schedules for cost computation accuracy. Discovered that the type of medium (PDF) used to send the Demographic Data shows rounded cost/charge ratios and the actual factors used to compute the costs. The factors can only be accessed through Excel.
- Concerned that some of my emails had not been received by Grady, I called Grady's Internal Audit and found that the hospital computing system was down. The Director of Internal Audit discussed the procedures used to retrieve the encounter forms requested. It was estimated that two days would be used to determine which departments should receive the encounter form requests. This involves determining where the medical procedures were performed for 288 patients. Grady's Internal Audit department states that it has sent over 50 emails to various hospital departments, discussing the nature of the information requested.

2/1/10

- Grady's Internal Audit forwarded the Excel work sheet with the cost/charge ratios and we revised our schedules to show the correct factors (not rounded) in the formulas.
- Sent an email requesting to know the current status of patient records available for our review. We urged the Financial Division of Grady to allow us to start the review process with batches of records already assembled.
- Reconciled the MOU Summary Report received at 3:30pm 1/29/2010 to the detail data received for indigent, charitable, pending, and Crestview for the 4th quarter 2009.
- Populated the Oct, Nov., and Dec 2009 audit work sheets with encounter charge or medical procedures data and prepared the schedules for audit work to be performed. Coordinated with CBH the work to be performed on 2/2/2010, including staffing and work location.

2/2/10

- Reported to Grady Hospital at 8:30am and worked in the Financial Services offices until 5:30pm. Reviewed 218 patients' files, excluding the billing and encounter forms files.

2/3/10

- Consolidated the review work of Fulton County's auditors onto one schedule per month. Assembled missing data report with CBH and compiled a listing and transmitted the listing to the Financial Counseling department of Grady Hospital. Reviewed the findings and exceptions noted.

2/5/10

- Tentatively set Monday (2/8/10) as date to finish the review of patient's records. Also

GMH Time Report
March 1, 2010

discussed the need to have meeting with the Authority and auditors to consider the year end audit procedures. Meeting was scheduled for Friday 2/12/10. The testing of Medicaid and Medicare and 3rd party insurance payments and write-offs against uncompensated costs should be incorporated into the year end audit plan.

2/8/10

- Went to Grady hospital to finish reviewing patient records and thereafter went to Grady's Internal Audit department to review the AR billing reports and the encounter forms.

2/9/10

- Decided that a replacement sample of 26 records should be pulled for our review, because of 26 records was classified as "Pending". Included under Pending were records classified as Medicaid and Medicare pending. Sent the replacement sample to Grady's Financial Division. Also returned encounter and billing records so that they could be redacted and returned to us.

2/10/10

- Picked up AR billing reports for the replacement sample and updated the Testing work papers and consolidated the testing results. Received corrected zip code formula and tested addresses for Fulton County zip codes.

2/11/10

- Picked up the redacted encounter forms and tested the medical charges billed and updated the testing work papers. Send memo to Director of Patients.
- Emeka, Fulton County auditor, found CPT code errors involving billing charges and rates for medical procedures performed. We submitted correspondence to Grady to correct the CPT code table and provide us with an updated version. We were advised that the 26 of the replacement records had been retrieved.

2/12/10

- Held a meeting with Controller of Fulton-DeKalb Hospital Authority, Director of Fulton County I/A and CBH. Discussed the year end audit plan of the MOU uncompensated cost charged to Fulton County and procedures to consider.
- Scheduled the review of the final patients for Monday. Reviewed the support for the accountants' exceptions, E.G. encounter forms, billing statements, and patients counseling records. Received the updated CPT code data and updated the formulas on our Testing work papers. Selected the encounter forms for the replacement sample.

2/15/10

- Received additional encounter forms to review. Sorted and performed second review of exceptions noted.

2/16/10

- Received additional patient financial records and encounter forms.

GMH Time Report
March 1, 2010

2/17/10

- Sent CBH the revised CPT code table and other encounter forms and patient financial records and a revised copy of the testing work paper prepared by Fulton County audit.
- Confirmed with CBH a missing record report. Fulton County reconciled the inventory of data received and missing to the receipted reports.

2/19/10

- Held meeting with CBH to discuss the flow of information requested, processed, and tested. Grady's policies and procedures were discussed, as well as the classification of patients' who meet the indigent and charitable guidelines. Discussed new HIPAA regulations. Received replacement sample cost sheets to identify sub-charges per patient to test, from Grady, and forwarded our selection to Grady's Internal Audit.

2/20/10

- CBH reviewed Crestview data and we received additional redacted encounter forms and patient documentation. Reviewed Oct, Nov & Dec testing work papers for potential findings and documentation of the work performed. Discussed exceptions noted on the work papers with audit staff.

2/23/10

- Updated test work papers and continues to review additional redacted encounter and patient documentation.

2/24/10

- Prepared first draft of findings. Continued to adjust testing work papers for new and requested documentation received and adjusted Findings work papers.
- Incorporated review results of replacement sample and completed draft Findings report.

2/26/10

- Delivered the Findings report to the Director of Patient Access Services.

3/1/10

- Received Director's responses to the Finding report. We reviewed the responses and additional documentation and made adjustments where appropriate. Those findings disputed and not substantiated continued to be reported as exceptions and documented in our work papers. Fulton County audit and CBH reconciled our reports and reported the final Findings report for the 4th Quarter of 2009.

GMH Time Report
March 1, 2010