

**HERNANDO COUNTY CLERK OF CIRCUIT COURT**

**AUDIT SERVICES DEPARTMENT**

**MEMORANDUM**

**TO:** Chief Mike Nickerson, Hernando County Fire and Rescue District

**VIA:** Karen Nicolai, CPA, Clerk of Circuit Court  
Richard "Dick" Radacky, County Administrator

**FROM:** Peggy Prentice, CIA, CISA, Audit Services Manager

**DATE:** April 29, 2003

**SUBJECT:** EMS Billing and Collections Audit review letter

The Audit Services Department's (ASD) Audit Projects Schedule included an audit of the Hernando County Fire and Rescue District's (HCFRD) policies and procedures over the billing and collections of emergency medical services (EMS) activities, including those activities which are contractually provided by Florida Billing Services (FBS). The performance of this project was contracted to KPMG, an external audit firm. KPMG's review letter is attached for your review.

The review letter contains a summary of KPMG's observations and recommendations. Chief Nickerson's management response is a part of this document.

A copy of the review letter has been forwarded via Richard Radacky to the Board of County Commissioners as an agenda "correspondence to note" item.

I would like to take this opportunity to extend my appreciation to Chief Nickerson and KPMG for the cooperation put forth during the audit process.

If you have any questions, concerns, or need additional information in regard to the above or the attached report, please do not hesitate to contact me at 352-754-4201, extension 232, or just stop by my office located in the Hernando County Government Center, room 201.

**ATTACHMENT**

**copy: CLERK OF CIRCUIT COURT:**

Amy Gillis, CPA, Finance Director

**BOARD OF COUNTY COMMISSION:**

Commissioner Mary Aiken

Commissioner Hannah M. "Nancy" Robinson

Commissioner Diane Rowden

Commissioner Robert C. Schenck

Commissioner Mary Whitehouse

George Roussos, P.E., Deputy County Administrator

George Zoettlein, Office of Management and Budget Director

**OTHER:**

Hernando Today

St. Petersburg Times - Hernando Edition

WWJB Radio Station

Hernando County Public Library: Main Branch/Lykes Memorial



P.O. Box 1439  
Tampa, FL 33601-1439

April 25, 2003

Chief Nickerson, Hernando County Fire and Rescue District and  
Karen Nicolai, Clerk of the Circuit Court

Ladies and Gentlemen:

At the request of the Clerk of the Circuit Court, we have completed a review of the Hernando County Fire and Rescue District's (HCFRD) policies and procedures over the billing and collections of emergency medical services (EMS) activities, including those activities which are contractually provided by Florida Billing Services (FBS). The purpose of our review was to understand the existing policies, procedures and contractual requirements, to determine whether such policies, procedures and contractual requirements were being followed, and to provide recommendations for improvement.

#### ***Background***

The HCFRD provides EMS to the residents and visitors of the District. Services provided by the HCFRD include responding to emergency calls, providing basic and advanced life support, and transporting patients to medical facilities. The billing and collection of EMS revenue is outsourced to FBS.

#### ***Procedures***

We read the contract agreement between the HCFRD and FBS which commenced on October 1, 2000, and expires on September 30, 2003.

We met with the Rescue Chief of the HCFRD to discuss the procedures used to track EMS calls, the methods used to provide FBS with necessary patient and insurance information, and the controls in place to ensure that EMS revenue is billed and collected.

We discussed contractual requirements with FBS.

We discussed accounting procedures used to record EMS revenue with the Hernando County Clerk of the Circuit Court Finance Department.

#### ***Observations***

We noted the following items relating to documentation or other matters:

- 1) When an EMS vehicle responds to a call, the technician completes a "run report" which details basic patient information, medical procedures performed, whether the call was billable/not billable, whether transport/transfer was made and other information. Each call and transport is automatically assigned a unique number by the 911 dispatch system. This number is documented on the run report and is the primary mechanism used to ensure the completeness of run reports.



- 2) When a patient is brought to the hospital, the EMS crew obtains a hospital fact sheet which includes the patient name, social security number and insurance information. This sheet is inserted inside the run report.
- 3) All run reports are forwarded to a Rescue Captain for review and approval. Approval is indicated by signature on the run report.
- 4) The Rescue Captain receives a daily report from the 911 dispatch system which lists all calls from the previous day. The Rescue Captain uses this report to determine the completeness of the run reports submitted. A "missing report log" is maintained to track any run reports that were not turned in. Any missing run reports are followed-up and must be re-written if not found. We reviewed a sample of reconciliations between the 911 dispatch system and run reports, as well as the missing report log.
- 5) The run report is a 3-part document. Original run reports (including the hospital fact sheet) are sent to FBS each Monday and Thursday for processing. The hospital receives the yellow copy and the HCFRD keeps the pink copy.
- 6) The Rescue Chief maintains a log of run reports sent to FBS on an excel spreadsheet. At the month-end, the data on this spreadsheet is reconciled to data on billing reports submitted by FBS to ensure that all patients have been invoiced. We reviewed a sample of month-end reconciliations and noted several minor differences. These differences appeared to be due to errors or changes in spreadsheet data, not unbilled accounts.
- 7) The contract states that FBS should enter patient data into the computerized billing system within 2 business days of receipt from the HCFRD and submit invoices within 5 business days of receipt of patient information. Per discussion with Dorinda Todaro of FBS, she does not track the entry of data based upon the receipt of information from the HCFRD. Instead, she ensures that patient data is entered and billed within 10 business days of the origination of the call (as documented on the run report). Although the HCFRD does not receive information to determine whether data was entered and billed within a specified number of days, they can determine if billings were completed and submitted within the proper month. This is accomplished when the Rescue Chief reconciles run reports submitted to FBS with the monthly billing report received from FBS.
- 8) The contract with FBS states that electronic claims processing should be used to the fullest extent possible. Electronic processing is currently being used with Medicare claims. Other claims are submitted manually.
- 9) The contract with FBS states that follow-up on unpaid electronic claims should occur between 30 and 45 days of initial submittal. Follow-up on unpaid paper claims should occur between 45 and 60 days of initial submittal. Follow-up efforts and results must be documented and available to the HCFRD in an electronic format. KPMG discussed these requirements with FBS, who indicated the following:
  - a) Medicare claims (which are submitted electronically) are generally received 45-60 days from submittal and follow-up occurs 60-90 days from initial submittal. According to FBS, Medicare prefers that claims follow-up occur only after 90 days.
  - b) Medicaid claims are generally received 45-60 days from submittal and follow-up occurs 60-90 days from initial submittal.
  - c) Follow-up on claims submitted to insurance companies generally occurs after 120 days.
  - d) Follow-up on claims submitted directly to patients occurs monthly. FBS sends monthly past-due bills to these accounts and works with patients that call the office with questions.
  - e) Follow-up efforts are documented in the "comments" box of each account.
- 10) The contract states that FBS shall provide, on a quarterly basis, a listing of all accounts six months or more past due (except those on a modified payment schedule) including all pertinent facts regarding the accounts. FBS provides only aging reports on a monthly basis. Pertinent facts regarding the

accounts are available in other reports on an individual account basis but are not summarized in one report.

- 11) The contract states accounts six months or more past due may be withdrawn from FBS and turned over to a collection agency. In practice, accounts are not "withdrawn" from FBS but actually are turned over to the collections agency by FBS. Because each account is reviewed on an individual basis, there is no mandatory timeframe to send accounts to collections. In general, accounts that are 180 days past due are sent to collections. If the patient calls regarding the account, FBS waits to send the account to collection until matters cannot be resolved. FBS sends the HCFRD a report listing accounts turned over to collections. KPMG reviewed the aging report for several months and noted numerous accounts over 180 days that were not in collections. FBS stated that recent improvements have been made to expedite the process of turning accounts over to collections.
- 12) The contract states that FBS may establish payment plans with patients. In such cases, monthly payment minimums must equal at least 10% of the balance owed. FBS indicated that payment plans have been established where monthly payments are less than 10% of the balance owed. Per FBS, the HCFRD is aware of this change in procedures.
- 13) The contract states that FBS shall bill the full amount of services to all providers and patients. When payments received are less than the full amount, the difference shall be provided to the HCFRD for determination as to whether the payment is deemed to be payment in full. Where required by law (as with Medicare), the HCFRD may provide written authorization to write-off any amounts above the full amount billed on a routine basis. KPMG discussed these requirements with FBS, who indicated the following:
  - a) Medicare payments are accompanied by an "explanation of benefits" which lists the amount to be paid. FBS records this payment in the system and indicates any amount which will not be paid in the "adjustments" column. No further action is taken on these accounts. These federally mandated adjustments are considered to be formally written off by FBS, HCFRD and the Hernando County Clerk of the Circuit Court finance department staff, however, there is not currently a mechanism to detail this activity within the system.
  - b) Medicaid payments are a flat rate depending on the service provided (basic or advanced life support). FBS records this partial payment and "mandatory adjustment". No further action is taken, and the account is closed.
  - c) Partial payments from Champus (the military medical plan) are handled in a similar manner to Medicare. Mandatory adjustments are made to these accounts, and allowable co-payment amounts are billed to the patient.
  - d) "Adjustments" are not made by FBS to other patient accounts, even if partial payments are received. It is the responsibility of the HCFRD to determine when delinquent accounts should be written-off. To date, the HCFRD has not addressed and written-off delinquent accounts.
- 14) The contract with FBS states that deposits of payments should be made to the HCFRD's bank account within 3 business days of receipt. Per discussion with FBS, this timeframe is not specifically tracked but deposits are generally made each business day except Wednesday. The HCFRD does not have the ability to verify the 3-day window. The Rescue Chief monitors overall collections on a monthly basis. Using historical collections data, he is able to identify when collections appear low.
- 15) The contract with FBS states that monthly reports will be provided to the HCFRD reflecting the status of active accounts by the 10<sup>th</sup> day of the following month. FBS maintains all data in an Access data base. Numerous reports from this data base are provided to the HCFRD each month in an electronic format (compact disk). Per FBS, these reports are provided by the 10<sup>th</sup> business day of the month. The HCFRD later returns the compact disks to FBS for reuse.

- 16) The contract states that FBS will maintain all records and documentation in a safe and secure location. Per FBS, more recent records are kept in the office in file cabinets and older records are maintained in a storage facility. The contract does not state a time period for maintenance of records.
- 17) FBS provides a daily deposit report, along with the validated deposit slips, to the Hernando County Finance Department. The Finance Department agrees the amount per the report to the validated deposit slips and to the actual deposit as indicated by the bank. The Rescue Chief also receives a copy of the daily deposit report and reconciles this to the monthly reports prepared by FBS.
- 18) Revenue is recorded on a cash basis during the year. Receivables are booked only at year-end and are not based on actual outstanding receivables, net of an allowance. Instead, revenue and receivables are recorded using an averaging method. Per discussion with the Finance Department, billings from August and September are multiplied by historical collections percentage. This amount, less actual collections to date, is recorded as a receivable.

***Recommendations***

- 1) All reconciliations performed by the HCFRD should be documented in a hard copy format, formally approved and maintained in a file. The report disk received from FBS each month should be kept and maintained as a part of the reconciliation file. An example reconciliation would appear as follows:

i. Balance per FBS report	\$xxx
ii. Balance per the HCFRD spreadsheet	<u>xxx</u>
iii. Difference (if any)	x

The balance per FBS would be supported by data on the report disk and the balance per the HCFRD would be supported by a copy of the actual spreadsheet. Any differences should be investigated and resolution indicated on the reconciliation.

***Management Response:***

Beginning June 1, 2003, a monthly reconciliation report will be compiled by HCFRD staff, with a hard copy being entered into a monthly reconciliation file. Any noted differences will be investigated and resolved before the first day of the following month.

- 2) Excel spreadsheets are used by the HCFRD to track data and perform monthly reconciliations. We recommend Excel training be provided to appropriate personnel.

***Management Response:***

Additional training for HCFRD staff is ongoing.

- 3) The contract with FBS contains many specific duties and requirements. Some aspects of the contract are not strictly adhered to by FBS in accordance with contractual terms due to operational timing related factors. Certain aspects of the contract, such as follow-up times for claims, need to be adjusted to be practical. Timeframes for data input, submission of billings and deposits are not currently being tracked by HCFRD staff. If this data is deemed critical by the HCFRD, mechanisms should be put in place to monitor these requirements. We recommend that the HCFRD and FBS review the differences, as described in "Observations" above, and modify the contract where deemed appropriate.

***Management Response:***

As recommended, the renewal EMS billing contract (with Florida Billing Services (FBS) or if the Hernando County Board of County Commissioners so chooses, with a new EMS billing firm), required prior to October 1, 2003, will incorporate a more realistic and quantifiable set of billing timetables. This timetable will be based on actual elapsed days from the date of the ambulance transport for the first billing and then based on elapsed days from the last account activity, for subsequent billings.

- 4) The process for reviewing past-due accounts and turning accounts over to collections should be further refined. We recommend consideration of the following:

- a) FBS submits accounts to collections for the HCFRD even though they are not contractually required to do so. This issue should be addressed in a contract modification.

***Management Response:***

The next EMS billing contract will be modified accordingly.

- b) Since delinquent accounts are not sent to collections at specified intervals, the HCFRD must have the ability to evaluate and assess accounts greater than six months old. We recommend development and use of a quarterly report, as required in the contract, which lists accounts over six months old and describes their status. (The monthly aging report shows past due accounts but does not provide other details. Instead, accounts must be pulled individually to obtain such information.)

***Management Response:***

The HCFRD shall develop and provide FBS with a written policy for the transfer of delinquent accounts to the collection agency (MSB, Inc.) by June 1, 2003. The terms of this policy will be included within the next EMS billing contract (due October 1, 2003).

- c) The HCFRD should review the monthly report to determine whether accounts are sent to collection in a timely manner.

***Management Response:***

A monthly report detailing FBS's compliance in transferring past due accounts to collections in accordance with the policy/contract modification described above (see recommendation 4b response), will be generated and reviewed by HCFRD staff monthly, beginning June 1, 2003.

- d) The HCFRD should develop and implement policies and procedures that address past due accounts and collection issues. This will assist FBS in determining when accounts should be sent to collection and will help ensure patients are treated equitably.

***Management Response:***

Included within response to recommendation 4b.

- 5) The HCFRD should develop and implement policies and procedures regarding the write-off of past due accounts.

***Management Response:***

Staff believes strongly that HCFRD and FBS continue a policy of not writing off any past due EMS accounts (with the exception of the state and/or federally mandated adjustments denoted in observation section 13 a-d of the audit) during the normal billing service phase. All other delinquent EMS accounts should continue to be transferred to the collection agency, MSB, Inc., under the policy outlined above and should not be written off by FBS. The KPMG recommendation to develop a policy and procedure for writing off past due accounts, is a legitimate request. However, HCFRD believes the writing off of a delinquent account should only occur after both the EMS billing agency (FBS) and the collection agency (MSB, Inc.) have failed to collect the past due amounts within a reasonable amount of time. Therefore, the HCFRD proposes to work closely with the Hernando County Clerk of Court Finance office, to develop an appropriate timetable for this process and write a corresponding policy, for implementation by June 1, 2003.

- 6) We recommend use of a lock box to provide better segregation of duties. FBS currently processes billings, receives payments, posts payments and determines when accounts are sent to collections.

***Management Response:***

The HCFRD is agreeable to a lock box approach for receiving payables, if strict timing related parameters can be met and it is not cost prohibitive. The HCFRD has requested the Clerk's office to research the estimated cost associated with a lock box service and we await the forthcoming report.

- 7) Patient payments plans which are not in accordance with contractual requirements should be formally approved by the HCFRD.

***Management Response:***

It is anticipated that the revised October 1, 2003, EMS billing contract will include a modification which changes the minimum allowable payment amount from 10% of the total bill, to an amount not less than \$10 monthly. No deviation from the new minimum monthly payment amount will be allowed or approved by HCFRD staff after October 1, 2003. Payment arrangements made prior to October 1, 2003, shall be considered "grand fathered" and will not be affected by the new minimum monthly payment amount, as long as the payment remains on schedule.

- 8) Formal policies for records retention (confidentiality/transfer to county record storage) should be adopted.

***Management Response:***

The HCFRD will include a section within the next EMS billing contract requiring the transfer of all medical records to the County Records Storage Facility to be micro-filmed, after a period of three years from the date of the EMS transport.

We hope that you find these comments and recommendations useful and we would be pleased to discuss them with you at any time.

This report is intended solely for the information and use of the Board of County Commissioners, Clerk of the Circuit Court, Hernando County Fire and Rescue District, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**