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**Office of the Inspector General
Miami-Dade County**

Memorandum

To: Marvin O'Quinn, President
Public Health Trust

Received By Date

From: Christopher Mazzella
Inspector General

Date: August 17, 2005

Re: Follow-up on OIG Audit of JMH Collection Agency Contracts

Attached please find an audit memorandum dated August 16, 2005 prepared by the Office of the Inspector General (OIG) auditor-in-charge of this follow-up assignment. As you may recall, on July 11, 2005, we notified you that a member of the OIG's audit staff would be conducting a one-year review of the collections on out-of-state Medicaid accounts.

In response to our audit findings and recommendations issued in April 2004, the PHT replied that it would transfer the billing and collection of out-of-state Medicaid accounts in-house. The OIG essentially found that the PHT was paying unnecessarily high collection fees for patients whose medical procedures were pre-arranged and/or pre-authorized (e.g., transplants).

The fees generally amounted to 7.5 percent of the collected amount, which resulted in hundreds of thousands of dollars unnecessarily paid to private agencies as "collection fees." We believed then that these high dollar patient accounts could be serviced in-house, thereby saving hundreds of thousands of dollars. Our follow-up, while noting that the PHT has not done an adequate job in collecting these out-of-state Medicaid payments, still supports our position that these collections should continue to be processed in-house.

The follow-up revealed an outstanding balance of \$5,854,606 in out-of-state Medicaid payments. Significantly, 78 percent of the total (or \$4,567,266) is attributed to only fourteen accounts. Moreover, these fourteen accounts belong to merely twelve individuals. If these accounts were turned over to private agencies for collection, the fees on these fourteen accounts alone could be as high as \$340,000. We continue to believe that the PHT can successfully collect these types of accounts in-house, thereby saving substantial sums of revenues.

The OIG requests your response to these follow-up findings. Specifically, the OIG requests that you provide us by September 30, 2005, with the details of what steps are being taken to ensure efficient and effective collections on these types of accounts. The OIG considers this matter as resolved-open pending your written response to be provided by September 30, 2005.

Attachments

cc: **With OIG audit memorandum but without other attachment as they contain confidential patient information.**


Mr. Larry Handfield, Chairman, PHT
Mr. Ernesto de la Fe, Treasurer/Chair Fiscal Affairs Committee, PHT
The Honorable Rebeca Sosa, Chair, COSHA Committee
Mr. George Burgess, County Manager

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Office of the Inspector General

Miami-Dade County

Memorandum

To: Patra Liu, Assistant Inspector General / Legal Counsel 

From: Nadine S. Rogers, Auditor 

Date: August 16, 2005

Re: JMH Collection Agency, AUD 04-14A

On September 10, 2004, the Office of the Inspector General (OIG) issued a Final Report entitled *Review of Collection Agency Commission Fees for Collection Agency Services Rendered to Jackson Memorial Hospital*. Among the findings presented, was that the placement of out-of-state Medicaid accounts for collection with the private agencies resulted in the paying of unnecessarily high commission fees.

In response to this finding, PHT stated that one designated biller would perform collection services for all admissions occurring after May 31, 2004. The OIG in its final report informed the PHT that it would conduct a follow-up review after June 1, 2005.

In order to determine whether this finding has been properly addressed, I conducted a follow-up review which included the following:

- On July 11, 2005, a follow-up notification letter was sent to PHT's President, Marvin O'Quinn.
- On July 13, 2005, I met with the following individuals in the Patient Financial Services (PFS) Department to discuss the scope of the follow-up review as well as the newly established in-house collection procedures of out-of-state Medicaid accounts:
 - Gil Amara, Administrator
 - Josie Rippey, Associate Administrator
 - DaNiece Moody Associate Administrator / Accounts Receivable Management (my primary source of information during the follow-up review process).

- On July 14, 2005, Ms. Moody provided me with extensive details regarding the collection of out-of-state Medicaid accounts. She confirmed that all out-of-state Medicaid accounts are now billed internally by one (1) individual who reports to her.
 - To ensure that all out-of-state Medicaid accounts are retained and billed internally, a new financial classification (W20 – out-of-state inpatient & W21 – out-of-state outpatient) has been established to identify this population.
- I requested a listing of all out-of-state Medicaid accounts during the period June 2004 – July 2005. Ms. Moody provided me with two (2) reports:
 - An aged trial balance reflecting an outstanding balance of \$5,950,664 as of 7/10/05. (**Attachment 1**)
 - A schedule of out-of-state Medicaid accounts prepared by PHT’s MIS department reflecting an outstanding balance of \$5,854,606 as of 7/18/05. I used this report for my analysis because it provided more updated and extensive data regarding the patient accounts. (**Attachment 2 Composite**)

The schedule reflected the following data:

- Total billings amounted to \$6,581,381. When sorted by patient and amounts, this scheduled provided the following details:
 - There are 89 separate accounts belonging to 69 patients which account for the total billings.
 - Of these 89 accounts, 14 are in excess of \$100,000 and belonged to only 12 patients.
- Total adjustments amounted to \$248,072 (4% of total)
- Total **collections** amounted to \$478,703 (7% of total)
- Total outstanding balances amounted to \$5,854,606 (89% of total). A further review of the outstanding balances indicated the following:
 - **The 14 accounts (only 12 patients) in excess of \$100,000 totals \$4,567,266 which is 78% of the total outstanding balance.**
 - \$1,644,192 (28%) of the outstanding balance is 181 – 364 days past due.

I discussed the above information with Ms. Moody as well as the individual responsible for billing and collecting this financial classification. Specifically, I questioned the small percentage of collections. Ms. Moody stated that the primary reason is due to incomplete / incorrect provider information. She further stated that this information should be obtained at the front end (Patient Access, Patient Financial Services, and Provider Enrollment Department) and that by the time the account reaches her department, it becomes very difficult to obtain this information after the fact.

CONCLUSION

Based on the above information, I have concluded that PHT's newly established procedures do not adequately address our original finding as indicated by the following:

- Although new in-house collection procedures have been established, they have not been effective as reflected by the poor collection rate (7%).
- A cursory review of the accounts that are 181-364 days past due revealed characteristics similar to those identified in the Final Audit report (i.e., pre-authorized / pre-arranged services, transplants, etc.).

The PHT should identify those states which account for the largest outstanding balances and develop additional procedures beyond those recently established. **As noted above, although the total outstanding balance is quite large, this amount is attributed a very small population.** It is the OIG's belief that this population of accounts is manageable by the PHT.

The PHT should focus on enhancing its current methods of securing payments to ensure that these account balances are satisfied in a reasonable timeframe. One such method for example, is the "Memorandum Of Agreement," which documents the costs eligible for reimbursement. This agreement is typically signed by an authorized representative of the institution providing and receiving medical services (e.g. transplant). PHT incorrectly interprets this memorandum as a guarantee of payment. As evidenced by the large outstanding balances, it should be obvious that a "Memorandum Of Agreement," or similar documentation, is not a guarantee of payment.

In conclusion, if PHT fails to develop a more aggressive approach to collecting out-of-state Medicaid accounts, this condition will continue to exist and possibly become progressively worse in light of PHT's current fiscal condition. Neither the PHT nor the taxpayers can afford to bear this costly burden.