

AUDIT REPORT

DUTCHESS COUNTY HEALTH DEPARTMENT

Software Purchase

And

Patient Billing

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Background and Organization

The Dutchess County Health Department Public Health Nursing Division provides home visiting and case management services including: primary and preventive services to pregnant and parenting families; childhood lead poisoning prevention program, childhood and adult immunization clinics, newborn metabolic and hearing screen program and rabies post exposure program.

State law and local preference determine whether a service is delivered locally. Where applicable, these same guidelines determine whether a service is billable or not billable. Further information regarding the Health Department's services may be found at their website: <http://www.co.dutchess.ny.us/CountyGov/Departments/Health/>

In addition, the New York State Department of Health website may be of further assistance.

Audit Scope, Objective and Methodology

The audit scope included:

- I. Review of expenses associated with the McKesson software purchase which is used for patient billing.
- II. Review of staffing, services, and billing.
- III. Review of patient billing and collection processes.

Our review was based on financial records, operating procedures, and interviews.

Summary of Findings

- ❖ The McKesson software purchase was expended from the Financial Management System bond funds. The software is not integrated with the County financial system (LOGOS) as was an original goal of the project. Our review found the software focused on computerization of clinical data and nursing services provided; direct billing was secondary.
- ❖ Revenue for patient billing has been reduced as staffing and services have been reduced in the past few years.
- ❖ Additional data collection and billing capabilities could be explored for the use of the McKesson software to maximize usage.
- ❖ The Health Department revenue recording and collection procedures for patient billing were properly segregated and monitored.

Detailed Findings

McKesson Purchase and Implementation Costs

The McKesson Software System is a Homecare Program which was purchased in 2009 through a contract with the Dutchess County Health Department. The system went into operation in 2010. Funds for this project were expended from the Financial Management System bond funds. Prior to McKesson, the Care Centric System was used.

A total of \$163,864 was paid for the purchase and implementation. An annual maintenance fee is also contained in the agreement. This fee started at \$11,988 and is subject to annual increases.

Description	Software Perpetual	Implementation Services	Travel	Contract amendment Travel A-2	Contract amendment -Software - Horizon Home Care A-1	Total
<i>Contract Amounts</i>	\$48,350	\$65,969	\$12,000	\$5,000	\$33,300	\$164,619
Total Paid	\$48,350	\$65,969	\$12,000	\$4,245	\$33,300	\$163,864

The Dutchess County Office of Computer Information Systems (OCIS) provided the technical support to the Health Department for the implementation of the McKesson software. The cost of OCIS' staff charged to the Health Department totaled approximately \$85,750.

Additional costs associated with the implementation of the billing system included:

- Personnel costs consisting of time allocated for 19 nurses for coding and training; administrative staff at the Health Department for training.
- Computer hardware.

Observations:

- Based on e-mails from OCIS, Dutchess County's goal was to build integration between the McKesson System and LOGOS. County Bond Counsel approved the use of bond funds to purchase the product based on this goal. This purchase was listed in Dutchess County's 2010 Capital Plan and was made from the County capital account which was used to purchase the Countywide Financial System, LOGOS.
- Information from staff interviews indicated the system's primary focus was computerization of clinical data and nursing services. The program facilitates recordkeeping and reduces the time lag from the original request for service to the delivery of service. This allows for an increase in the number of services provided.

- The time allocations for the Nursing Division are maintained in McKesson and used by the Health Department to claim NYS Article 6 funding. In 2010, a total of \$720,184 was claimed to NYS for the Public Health Nursing Division.
- Statistics required for the New York State Cost report required by Medicaid and the Federal Medicare cost report are obtained from the McKesson system.

Findings:

- Billing has not been integrated into LOGOS. Therefore, bond funds used for the purchase of McKesson may not have been the proper source of funding.
- The McKesson system is primarily a clinical services system and the billing function is secondary.
- McKesson has additional capabilities which are not in use.

Recommendations:

- Bond Counsel should be advised that integration with LOGOS has not been achieved and a confirming opinion should be obtained on the appropriateness of the use of Financial Management System bond funds.
- McKesson capabilities should be explored for further use.

Revenue

During the period encompassing the design and implementation of the McKesson software there was a reduction in revenue, volume of billing, and nursing staff positions.

Revenue collection associated with the billable services provided by the Nursing Division for the time period 2007 – 2010 is shown below.

		2007	2008	2009	2010	2010 vs. 2009
Nursing	Health Fees	\$195,466	\$174,810	\$140,459	\$77,851	(\$62,608)
Certified Home Health Agency	Home Nursing Charges	\$276,782	\$265,954	\$315,718	\$135,583	(\$180,135)
Long Term Home Health Care	Home Nursing Charges	\$351,792	\$445,594	\$302,089	\$1,751	(\$300,338)

Observation:

- The decline in revenue can be attributed to fewer nursing staff, the dissolution of the Long Term Home Health Care service, and the sale of the CHHA program to an outside entity. The Health Department is in the process of applying to the state to become a Licensed Home Care Agency.

Billing Volume

The following statistics were provided by the Nursing department. Statistics for 2011 represent a six month period as reported and a pro forma 2011. The decline in services is shown below:

	Jan - June 2011	Estimated 2011	Jan - Dec 2010
CHHA Unduplicated Patient Count	48	96	132
Preventive Unduplicated Patient Count	273	546	889
CHHA Skilled Nursing Visits	56	112	473
CHHA Physical Therapy			258
CHHA Occupational Therapy			8
CHHA Home Health			232
CHHA Social Work			7
Preventive Nursing	554	1108	2200

Staffing

In 2010, there were 20 Nursing positions in the Nursing, CHHA and LTHHC Divisions for whom the McKesson System was purchased; in 2011 this number was reduced to 12. The number of positions by year is listed below:

Department	2007	2008	2009	2010	Change 2010 vs. 2009	2011
	FTE*	FTE*	FTE*	FTE*	FTE*	FTE*
Nursing	21.75	22.00	23.00	19.00	-4.00	12.00
CHHA	2.00	2.00	1.00	1.00	0.00	0.00
LTHHC	1.00	1.00	1.00	0.00	-1.00	0.00
Total	24.75	25.00	25.00	20.00	-5.00	12.00

*FTE = Full Time Equivalent

Observation:

- Nursing staff from 2007 to 2011 was significantly reduced in this division. Some staff were moved to another division in 2011.

Review of patient billing processes and procedures

The McKesson System is used to bill Medicaid and 3rd party insurance. Medicaid bills are submitted electronically. Hard copy bills are mailed to 3rd party insurance carriers. Staff estimated 20 – 30 billings were processed monthly. Flu vaccine and TB billings are completed manually and were not made a part of the McKesson software billing.

The Nursing staff chooses a "Service Type" for every service provided. Services may be billable or not billable. The administrative staff in the Nursing Division assists in the intake, data entry, and the handling of physician prescriptions and approvals. Billing staff generate the bills from the McKesson system and may modify the service type, if necessary.

Review of revenue collection processes of patient billing

Payments received in the mail are distributed to the accounts receivable clerk who reviews and records payments to each patient account.

A bank deposit is prepared and deposited into the Health Department Bank account. Daily, a check from the Health Department bank account is drawn and forwarded to the County Finance Department with a listing of revenue accounts to be credited.

The Finance Department enters the revenue into the LOGOS system. The revenue is reported and recorded in LOGOS when payment is received and not when a patient is billed; therefore, there is no on-going patient accounts receivable in LOGOS.

At year-end, an estimated amount of open patient balances is provided to Finance by the Health Department for the accrual of revenue. When payment is received the Health Department and Finance post the appropriate receivables.

A Program Assistant in the Health Department reconciles the revenue reported to Finance with the amount reported in LOGOS. When a full payment is not received for a billing and all available resources have been pursued, the balance is written off. Accounts receivable for 2010 were collected. Write-offs in 2010 amounted to \$656.27.

Observation:

- Duties were properly segregated and oversight was exercised to ensure checks and balances were in place for data entry, billing, and collection of revenue.

Finding:

- Patient accounts receivable are not directly posted to LOGOS.

Recommendation:

- Accounts receivable should be integrated with LOGOS.