

## Perspectives

By Joyce Lang, CPA, CIA, Contributing Columnist

For many areas of internal auditing, there is no single or “right” way to do our work; different approaches are effective in different organizations. Through the ‘Perspectives’ column, healthcare internal audit leaders share practices that are successful in their organizations. In each issue, at least three leaders respond to a question that has broad interest to our profession.

### In recent years, what audits have your customers valued the most?



**Cavell Alexander**

Vice President  
Intermountain  
Healthcare  
Salt Lake City, Utah



**Jerry Schmidt**

Director of Internal  
Audit  
Iowa Health System  
Des Moines, Iowa



**Mary Thomas**

Director, Internal Audit  
WellSpan Health  
York, Pa.

Intermountain Healthcare has 23 hospitals, over 150 clinics, an insurance company and over \$6 billion in revenue. The internal audit department has 19 professionals. Over the past three years, we have completed over 110 audit projects. We are also responsible for SOX testing, internal fraud investigations and consulting.

The three audits that have been valued most by our customers have been a series of inventory-focused audits in pharmacy. We completed two reviews related to automated pharmacy dispensing machines (we use AcuDose Rx, but Pyxis is another common brand and works similarly), and the third review focused on our outpatient/community pharmacies.

#### Dispensing machines

The automated dispensing machines are used by the nursing staff. The AcuDose cabinets track orders, patient information and activities by user. The cabinets have drawers containing pockets that store medications. Medications are either billed directly by the cabinet or through charting.

Our audit included a review of inventory controls, general computer controls (e.g., access and security) and medical records and billing. This system had not been audited before, and during

*continued on next page*

Iowa Health System has 14 hospitals, over 160 clinics and a home health services division that generate more than \$2.6 million in net revenue from over 3.1 million patient visits annually. The internal audit department has nine professionals responsible for performing both financial and compliance audits. Audits from both areas were well-received and brought value to our organization.

#### Mock EMTALA audit

The Iowa Department of Inspections and Appeals is active in its investigation of EMTALA complaints in addition to performing routine inspections. Violations of EMTALA regulations are considered a high-risk area because CMS has the ability to fast track a hospital's removal from the Medicare program.

Working with the regulatory compliance staff of our law department, a mock EMTALA audit was developed to be similar to what the state surveyors do, and was performed unannounced. The objectives were to assess compliance with CMS regulations, provide hospital staff a “run-through” on gathering information for actual state surveys, and to identify best practices to share among our hospitals. A significant part of this audit

*continued on next page*

WellSpan Health is an integrated health system serving south central Pennsylvania and northern Maryland. We have 65 patient care sites, three hospitals, a 500+ physician primary- and specialty-care medical group, a regional home care provider, six retail pharmacy locations and the second most highly utilized outpatient surgery center in Pennsylvania.

Internal audit is responsible for conducting financial, operational and IT audit reviews. Three recently completed audits were valued by WellSpan Health's management due to the significant policy and/or process changes that resulted from the reviews.

#### Web portal sites – security and access

The health system uses internal and external web portal sites to share information. The objectives of the audit were to determine whether management had established adequate security and access controls over web portal sites to protect sensitive clinical, personal and business information.

The audit focused the review on 301 main web portal sites and selected 69 for detailed review. Internal audit scanned web portal sites for potential

*continued on next page*

---

*Alexander — continued*

our risk assessment, we discovered that each location was allowed to configure the system as they saw fit. We found significant opportunities for improvement, many resulting from local management choosing to “turn off” controls and functionality.

Although we performed the review at four of our 23 hospitals, central management agreed the issues were likely systemic, and formed a task force to develop and implement system-wide action plans. We followed up on all action plans, but due to the complexity of those plans, management requested we conduct a second full review; this request is indicative of the perceived value from the audits.

### Outpatient/community pharmacies

These retail pharmacies are located in our hospitals and physician clinics, and provide services to patients, employees and the public. The pharmacies fill an average of 87,600 prescriptions per month (over one million per year).

Similar to the dispensing machine review, our focus was on inventory, compliance with regulations, and our policies and procedures on order, receive, store, access, record, dispense, expire and waste processes. This audit, although identified in our risk assessment, was also requested by management based on the value they obtained from our dispensing machine review. The results were similar and management again responded with system-wide action plans.

For both projects we continue to consult with management as they complete their action plans and are often called on to attend meetings and provide advice. Following our standard protocols of ensuring that we consider management input in our scope and objectives was key to the success of these projects. We also keep them apprised, through a formal weekly status report, about issues identified so that there were no surprises at the end of the projects. **NP**

---

*Schmidt — continued*

was performed by our registered nurse auditors.

The audit used the State surveyors’ guidance (State Operations Manual – Appendix V Interpretive Guidelines and Responsibilities of Medicare Participating Hospitals in Emergency Cases) as well as historical findings to determine areas of focus. These were:

1. Review internal EMTALA policies for consistency with current regulations.
2. Review medical staff bylaws for definition of qualified medical professional, on-call requirement, simultaneous call, elective surgery and definition of reasonable response time.
3. Observe the physical environment for appropriate signage.
4. Obtain copies of the forms used for medical screening exams, transfers and other items.
5. Interview managers and review processes in the obstetrics and emergency departments, and mental health access center when applicable.
6. Inquire about quality assurance initiatives that may impact compliance with EMTALA regulations.
7. Test processes by reviewing medical record documentation to assess completeness of EMTALA logs.
8. Review sample on-call roster to assess available specialties and individuals.
9. Review education rosters to assess appropriate individuals are receiving education regularly.

The results of the audits included opportunities for staff and physician education, changes in processes and internal quality monitoring.

The allowances for contractual adjustments, bad debts and charity care involve significant accounting estimates. On an annual basis, a historical look-back is performed to assess whether the year-end allowances were adequate. Management uses the results to provide recommendations for changes in percentages used to calculate the month-end allowances by payer and aging category.

Primarily using ACL audit software, we obtain the electronic files for year-end

---

*continued*

---

*Thomas — continued*

inappropriate content and determined security configurations (open access or restricted).

The review determined that internal controls over access to and security of web portal sites needed to improve. Some sites had security access configurations that allowed all network users to read posted information. Inappropriate postings of sensitive clinical, personal and business information were identified and shared with senior management.

Management action plans included re-evaluating more than half of the web portal sites for access and content appropriateness. This process is now done annually for sites with no sensitive data and semi-annually for sites with sensitive data. The health system is also pursuing a data loss prevention tool to systemically identify sensitive data.

### Medical Director and physician leadership contracts and stipends

Internal audit conducted a comprehensive audit of every medical director and physician leadership agreement. The overall objectives of the review were to validate that agreements were documented, payments reflected services provided, compensation was consistent, and performance evaluations reflected whether physicians were completing all administrative responsibilities. Seventy-four physicians with administrative responsibilities were reviewed, including eight non-employed physicians.

For each employed physician, the following areas were evaluated: Was there a professional services or employment agreement? Did the agreement include Medical Director or Leadership terms? Was there a job description or list of responsibilities? Did the contract stipulate the amount of the stipend? Were stipend payments in compliance with the written agreement? Did the stipend payment meet FMV? Was an evaluation completed for administrative responsibilities?

For each non-employed physician, the following areas were evaluated: Was there a written contract and did the contract contain all arrangements between physician and health system?

---

*continued*

*Schmidt— continued*

outstanding hospital patient accounts, one month later, and for a month-end at least eight months later. We also obtain detail files of all payments and adjustments for the interim period (usually monthly files due to size). ACL is used to match payments and adjustments by patient account, and the interim-month file is used to compute the estimated remaining adjustments based on the historical results.

For in-house accounts at year-end, it is necessary to prorate the adjustments between fiscal years; that's done based on the revenue on the account at year-end compared to revenue on the account one month after year-end. The total revenue information is available from the month-end receivable files.

The contractual information is summarized by major payers for inpatient and outpatient accounts, and can be compared by payer or in total to the year-end allowance to assess the adequacy. Since management updates contractual percentages monthly, the audit results are primarily used to assess whether any of management's approaches are inadequate and can be reviewed by the major payer if necessary.

The bad debt and charity information is summarized by major payers by standard aging categories. The totals are compared to year-end allowances for adequacy in total.

The percentages by aging category from the last three years are used to

compare to actual percentages used by the hospital for its allowance computation. The results are provided to the hospital finance staff to assess whether refinement is appropriate. Sensitivity analysis is performed using the percentages and receivable balances from several month-ends.

Management uses the feedback to refine their allowance computations and our external auditors use the results as part of their assessment of whether management has properly estimated these significant allowances. **NP**

*Thomas — continued*

Was the contract for a legitimate purpose and was the term for at least one year? Was there any activity that violated federal or state law? Was there a contracted Time Records Requirement and was a Time Record submitted monthly?

As a result of the audit, management developed and implemented a system policy and process for establishing and reconciling physician administrative agreements and stipends. Part of the policy required at least two Senior Vice Presidents to sign the contract. All employed medical directors/physician leaders are now part of the automated annual performance evaluation process

to ensure stipends are supported by additional responsibilities.

**Advanced Practice Clinician (APC) licensing and contracts and payments controls**

The objectives of this review were to determine whether management had established effective controls over APC licensing requirements and to determine whether payments to APCs met the terms of their compensation agreements.

WellSpan employs approximately 125 APCs. The Pennsylvania State Board of Nursing and the Pennsylvania Board of Medicine each has distinctive licensing requirements for APCs.

Internal audit interviewed credentialing staff, reviewed documentation at practices, reviewed compensation agreements and personal expense reimbursement for 30 APCs. The sample included APCs from 13 different practices or departments throughout the system.

Because of the audit, each APC was entered into the performance management system. A checklist that incorporated review of collaborative agreements, written agreement and prescriptive authorities was included as part of the process. Additionally, all collaborative agreements were incorporated into the credentialing system that will track and send reminders when documents need updating. **NP**

**The Answers to: *How Good is Your Vocabulary?* — continued from page 6**

**Nosocomophobia** is defined as the excessive fear of hospitals.

**Ephophobia** is defined as the inaccurate, exaggerated and sensational characterization of young people. Sometimes referred to as fear of teenagers.

**Brontophobia** is defined as the fear of thunder and lightning.

**Bathophobia** is defined as an abnormal and persistent fear of depths.

**Herpetophobia** is defined as a common specific phobia, which consists of fear or aversion to reptiles, commonly lizards and snakes and similar vertebrates.

Source: Wikipedia The Free Encyclopedia