



Memorandum

TO: Greg Ruiz, Fire Chief
THRU: Bill Greene, City Auditor (X8982)
FROM: Angela Hill, Internal Auditor I (X8866)
CC: Andrew Ching, City Manager
Steven Methvin, Deputy City Manager, Chief Operating Officer
Ken Jones, Deputy City Manager, Chief Financial Officer
Rosa Inchausti, Deputy City Manager
Darrell Duty, Assistant Fire Chief
Brandon Ramsey, Emergency Medical Transportation Supervisor
Adam Williams, Fire Budget and Finance Supervisor

DATE: June 29, 2021
SUBJECT: FINAL REPORT: Ambulance Billing Audit Report

Attached is our final report on the subject audit. Copies of this report will be distributed to the mayor and council and posted to the Internal Audit Office website.

Thank you and your staff for your cooperation during this project.

Ambulance Billing Audit

June 29, 2021

Project Team:

Bill Greene, City Auditor
Angela Hill, Internal Auditor I

Mission Statement

To enhance and protect organizational value by providing high-quality, objective, risk-based audit and consulting services to assist the City in accomplishing strategic priorities, goals, and objectives.



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Executive Summary

Purpose

The Internal Audit Office (IAO) reviewed the Tempe Fire Medical Rescue Department Ambulance Billing Program to determine if fees for services were completely and accurately billed and recorded, controls are in place to ensure consistent and secure processes, and procedures are adequate to monitor contractor performance.

Background

Tempe Fire Medical Rescue Department (TFMRD) was granted a Certificate of Necessity to operate an ambulance service and establish general public rates for service in May of 2016. Prior to receiving the certificate, TFMRD contracted with American Medical Response (AMR) to provide emergency transportation services.

In 2017, TFMRD executed a contract with EMS Management & Consultants, Inc. (EMS MC), a third-party billing service, to provide emergency transportation (ambulance) medical billing services. EMS MC currently provides emergency transport billing services for four ambulance units operated by TFMRD. American Medical Response currently provides transportation services for an additional two units.

The ambulance program generates an average of 7,900 transports annually and generated approximately \$4 million in revenue for fiscal year 2019/2020. TFMRD plans to continue to increase ambulance operations and fully operate all of the units, in accordance with the Certificate of Necessity.

Results in Brief

1. For the transactions we tested, ambulance transports were completely and accurately recorded and the billing system contained consistent supporting documentation overall. However, from April 2019 through October 2019, EMS MC erroneously billed at an outdated rate before being alerted by a TFMRD employee of the error, which resulted in an estimated reduced revenue collection of approximately \$28,000. TFMRD staff subsequently implemented new practices to update rates timely that should be documented in written procedures. During audit testing, we also identified potential discrepancies in billing rates for over 200 transports. Additional follow-up with EMS MC is needed to verify that transports are consistently billed at rates appropriate for the level of service provided (i.e. Advanced Life Support vs. Basic Life Support).
2. Additional control improvements are needed to help ensure consistent processing of ambulance billings. For example, implementation of a written policy governing the issuance of hardship billing adjustments is needed to make sure account adjustments are uniformly executed and documented. In addition, bank

account reconciliations should be performed on a consistent basis to detect potential fraud or accounting errors.

3. Currently, EMS MC contract monitoring is completed by multiple employees without formal coordination or a standard process. Audit testing showed EMS MC adhered to primary contract requirements; however, implementation of a formal monitoring process is an important tool to aid in evaluating contractor performance on an ongoing basis.

Recommendations

Our detailed audit report includes recommendations to address policy development and implementation, items for follow-up with the EMS MC, and improvements to current business processes.

Department Responses to Recommendations

Rec. 1.1: Document current process that establishes responsibility for updating approved AZDHS ground ambulance service rates timely.	
Response: Tempe Fire Medical Rescue Department (TFMRD) agrees with the recommendation and has documented the process for updating approved AZDHS ground ambulance service rates in the form of an official department policy and procedure.	Target Date: Complete
Explanation, Target Date > 90 Days: NA	
Rec. 1.2: Conduct follow-up with EMS MC to: <ul style="list-style-type: none"> • Review EMS MC's rate evaluation criteria and policies. • Determine if Tempe Fire Medical Rescue policy/practice needs revision to ensure appropriate information is provided for EMS MC to correctly apply the appropriate transport rates. • Review the 227 audit exceptions identified to determine if accounts were billed accurately based on the level of skill required for the transport. 	
Response: TFMRD has reviewed whether the billing contractor is using Arizona guidelines to bill correctly and have concluded that they have been billed correctly since the beginning of the program. Review of this is done continuously by the Emergency Medical Transportation Supervisor. After a sample review of the exception report provided by Internal Audit, TFMRD has concluded the 227 audit exceptions were billed appropriately. TFMRD will continue to follow the processes currently in place for auditing accounts.	Target Date: Complete
Explanation, Target Date > 90 Days: NA	
Rec. 2.1: Complete and implement the written hardship adjustment policy and maintain associated supporting documentation.	
Response: TFMRD has had a formal hardship policy since 2017 and has continued to update this policy when needed.	Target Date: Complete
Explanation, Target Date > 90 Days: NA	
Rec. 2.2: Request EMS MC to develop a written refund and recoupment policy and review accounts to evaluate compliance.	
Response: TFMRD has requested EMS MC to provide an update on this policy.	Target Date: Complete

Explanation, Target Date > 90 Days: NA

Rec. 3.1: Develop a formal system and to monitor EMS MC contract deliverables and assign staff responsible for ongoing execution of the monitoring process.

Response: TFMRD is developing a monitoring process which will be completed by the Emergency Medical Transportation Supervisor.

Target Date:
09-30-21

Explanation, Target Date > 90 Days: NA

Rec. 4.1: Develop a reconciliation schedule and policy and begin performing regular reconciliations to ensure receivables are accurately captured and deposited.

Response: TFMRD agrees with the recommendation and will develop a policy and procedure for performing regular reconciliations.

Target Date:
10-29-2021

Explanation, Target Date > 90 Days: The target date has been selected to allow sufficient time to conduct research for industry best practices, methodologies and efficiencies including the development of a substantially automated approach to conducting reconciliations.

Rec. 4.2 Research audit exceptions identified to ensure that payments were posted to accounts to resolve discrepancies.

Response: TFMRD agrees with the recommendation and will resolve outstanding discrepancies identified by the audit exceptions.

Target Date:
09-30-21

Explanation, Target Date > 90 Days: NA

1 – Ambulance Billing Services

Background

Tempe Fire Medical Rescue Department (TFMRD) was granted a Certificate of Necessity to operate an ambulance service and establish general public rates for service in May of 2016. Prior to receiving the certificate, TFMRD contracted with American Medical Response (AMR) to provide emergency transportation services. In 2017, TFMRD executed a contract with EMS Management & Consultants, Inc. (EMS MC), a third-party billing service to provide emergency transportation (ambulance) medical billing services. The ambulance program generates an average of 7,900 transports annually and earned approximately \$4 million in revenue fiscal year 2019/2020.

EMS MC currently provides emergency transport billing services for four units operated by TFMRD, while AMR still operates two ambulances. For this audit, we focused on the contract with EMS MC and its billing activities based on the higher current fiscal impact and future progression toward making EMS MC responsible for more transport billing services.

Approach

We judgmentally reviewed 40 Electronic Patient Care Records (EPCR) with transport dates from July 2019 through June 2020. To determine if ambulance transports were completely and accurately recorded and invoiced, we:

- Reviewed Tempe Fire Medical Rescue Department policies, contracts and regulations pertinent to ground ambulance transportation;
- For FY 19/20, reconciled the City Phoenix Computer Aided Dispatch (CAD) records for TFMRD's EMS calls to ImageTrend data to verify if all transports were recorded;
- Conducted a risk assessment and tested a sample of EPCR transports and patient records from FY 19/20 to verify correct billing rates, record status, and submission for billing;
- Interviewed staff and flowcharted business operations;
- Reviewed Arizona Department of Health Services ground ambulance service rate schedules.

Results

Overall, the sample of transports reviewed were all submitted for billing, maintained consistent documentation, and were appropriately closed and locked for revisions.

Internal Audit staff reviewed a sample of 40 transports from July 2019 through June 2020 to evaluate patient records and status. The records reviewed are stored in the patient care registry system called ImageTrend, which is used by staff to collect patient information for emergency medical services. We assessed the sample records and confirmed they were all assessed for completeness review, closed and placed into a “locked” status in ImageTrend for editing, submitted to EMS MC for billing, and contained appropriate supporting documentation. The sample of transports reviewed overall met criteria of records ready to bill. In addition, City of Phoenix CAD dispatch records for EMS calls for FY 19/20 matched EMS transport record data in TFMRD’s ImageTrend system with minor exceptions.

For a period of approximately six months between April 2019 and October 2019 EMSMC was not made aware TFMRD ground ambulance rates increased in April of 2019 and as a result billed at outdated, lower rates for that period of time which resulted in estimated reduced revenue collections of approximately \$28,000. Policy is needed to formalize the process for updating AZDHS ground ambulance transport rates timely to ensure accurate billing.

The Internal Audit Office (IAO) reviewed a sample of 40 transport records to verify accurate ground ambulance transport rates were applied to each patient account. During our evaluation, we noted 23 of 40 transport records sampled from FY 19/20 were billed at the prior year AZDHS ground ambulance transport rate (effective April 2018). The rates for basic life support, advanced life support, mileage, and standby waiting were all increased effective April of 2019. During the audit process TFMRD staff discussed the outdated billing rates with IAO staff.

While TFMRD was aware its ground ambulance rates increased in April of 2019, EMS MC was not made aware of the rate increases until October of 2019 when notified by a TFMRD employee. Upon notification of the 2019 rate increases, EMSMC immediately updated the billing rates. IAO staff confirmed rate increase updates have occurred timely since October of 2019. Delayed implementation of the rate increases resulted in estimated reduced revenue collections of approximately \$28,000. The table below shows the difference in the rates which contributed to the estimated reduction in collections.

Effective Year	ALS	BLS	Mileage	Standby
2018	\$952.81	\$848.73	\$19.75	\$212.18
2019	\$965.67	\$860.19	\$20.02	\$215.04
Increase in rates	\$12.86	\$11.46	\$0.27	\$2.86

We reviewed email correspondence between TFMRD and the contractor discussing rate adjustments. TFMRD staff provided emails from when rates were last increased in April of 2020 which are representative of new practices that were implemented to ensure rates are updated timely; however, this process is not formalized in the contract or written procedures. The development of a written procedure is important to ensure

accurate billing in the event of staff turnover and also promotes a clear understanding of responsibilities between TFMRD and EMS MC.

Additional follow-up with EMSMC is needed to ensure that transports are consistently billed at rates appropriate for the level of service provided and to determine whether audit exceptions noted were billed at the correct rate.

At the request of the IAO, TFMRD staff generated a query from the EMSight charge type detail report to evaluate supplies used on transports compared to the transport service level designation by EMS MC. This was requested to determine if transports that require a higher level of skills and supplies were adequately billed for the level of service. The Arizona Scope of Practice Skills identified in the Bureau of EMS & Trauma System Statutes and Rules handbook outlines the skills required to determine the level of service. The query of transports for FY 19/20 resulted in 227 potential transport service level discrepancies. In these instances, it is possible that skills used for advanced life support (ALS) level service may have been incorrectly billed at a basic life support (BLS) transport rate.

IAO staff met with the EMS MC account manager to review a selection of billing exceptions and discuss the rate assignment process. Common reasons for the 227 noted exceptions were IV and EKG use, which are considered criteria to bill at an ALS rate. Our review of discrepancies with the account manager resulted in two primary conclusions.

- 1) According to the EMS MC account manager, if medication is not administered through the IV, EMS MC does categorize the transaction as an ALS transport. According to the manager, the use of an IV for a saline lock does not demonstrate the skills required for ALS transport.
- 2) If there is no interpretation of EKG heart rhythm on the patient chart, EMS MC does not bill as an ALS transport. The account manager indicated the charting information provided by TFMRD was not sufficient to substantiate medical necessity because heart rhythm interpretation was not included.

When asked for supporting documentation of the criteria and policy used by EMS MC to determine the appropriate billing rate (ALS v. BLS), EMS MC initially informed IAO staff that this information could not be provided because it was considered proprietary. After the conclusion of our audit fieldwork, EMS MC subsequently provided written billing criteria to TFMRD staff at their request. TFMRD also confirmed the EMS MC criteria aligned with the Arizona Scope of Practice Skills. Additional follow up on audit exceptions is also needed to verify they were correctly billed. If transports are identified that lacked specific documentation for EMS MC to bill appropriately, additional training of TFMRD staff may be required.

Recommendations

1.1 Document current process that establishes responsibility for updating approved AZDHS ground ambulance service rates timely.

1.2 Conduct follow-up with EMS MC to:

- Review EMS MC's rate evaluation criteria and policies.
- Determine if Tempe Fire Medical Rescue policy/practice needs revision to ensure appropriate information is provided for EMS MC to correctly apply the appropriate transport rates.
- Review the 227 audit exceptions identified to determine if accounts were billed accurately based on the level of skill required for the transport.

2 – Account Adjustments

Background

Account adjustments are made to reduce the amount owed on patient accounts, process refunds, and recoupments. TFMRD issues needs-based hardship adjustments on accounts based on requests submitted by the patient or advocate. For fiscal year 2019/2020, 110 hardship adjustments were made totaling \$24,294.59.

Approach

To evaluate account adjustments and ensure adequate controls over processes we:

- Reviewed written policy for hardship adjustments;
- Met with EMS MC and TFMRD staff to discuss processes for adjustments, refunds, and recoupments.

Results

The policy for hardship adjustments is in development.

TFMRD issues adjustments to reduce the amount billed on patient accounts due to financial hardship. When an adjustment is requested, TFMRD staff meet and review the account for approval. If approved, an adjustment request is issued to EMS MC and applied to the patient account. When we requested to review the hardship adjustment policy, we were told the written policy was in development. The development of policy and maintenance of supporting documentation to validate adjustments is important to ensure consistent account evaluation and oversight of adjustments. Ensuring controls are in place for the process aids in preventing fraud and confirming consistent application of policies.

EMS MC was unable to provide written policies governing refund and recoupment account adjustments. As a result, we were unable to determine if account adjustments adhered to policy.

IAO requested refund and recoupment policies from EMS MC to evaluate a sample of transactions for adherence to policy. EMS MC was initially unwilling to provide the requested documentation and stated the information could not be provided because it is proprietary. After additional follow up, TFMRD staff obtained narratives from EMS MC governing this process but confirmed no other written policy documents were available. Without written policies, IAO was unable to confirm account adjustment transactions adhered to policy.

Recommendations

- 2.1 Complete and implement the written hardship adjustment policy and maintain associated supporting documentation.
- 2.2 Request EMS MC to develop a written refund and recoupment policy from and review accounts to evaluate compliance.

3 – Contract Compliance

Background

Tempe Fire Medical Rescue Department initiated a contract with EMS Management & Consultants, Inc. in 2017 to provide emergency transportation (ambulance) medical billing services. The contract with EMS MC provides online access to reporting, patient accounts, and the ability to review patient or trip information with detailed claim status through the client portal EMSight. The portal also provides summary and detail level data of daily, weekly and monthly reports with accounting of billing and collections. EMSight was used to evaluate contract deliverables in addition to City of Tempe Procurement resources for insurance requirements.

Approach

To evaluate contract compliance and adequacy of contract monitoring we:

- Reviewed the EMS MC contract to identify key actionable contract provisions and deliverables;
- Selected a sample of ambulance transports to evaluate credit card processing fees and submission to insurance;
- Reviewed a selection of collection accounts to determine invoice issuance prior to collections status;
- Conducted testing in EmSight to determine if insurance requirements, processing fees, reports and meetings, and issuance to insurance and collections adhered to contract specifications;
- Interviewed TFMRD staff to evaluate responsibilities for contract monitoring.

Results

Based on our sample of FY 2019/2020 evaluation criteria reviewed, EMS MC adhered to primary contract requirements.

We reviewed a sample of 40 patient accounts, EMS MC reports, and insurance requirements from FY 2019/2020 to determine if certain contract components were met. Our evaluation of the evidence showed that all contract requirements tested were met (see following table).

Contract Provision	Compliance?
Contract insurance requirement	Yes
Credit card processing fees	Yes
Submission to insurance	Yes
3 invoices prior to collections	Yes
Monthly EMS MC meetings	Yes
EMS MC reporting	Yes
Management Fee	Yes

The development of a formal contract monitoring process is needed to ensure that contract agreements are met.

IAO reviewed patient accounts, insurance requirements, and EMS MC reports to determine compliance with the EMS MC contract. Information for the identified test areas required gathering information from EmSight and Power BI (the online Procurement contract system.) Based on observations and our interviews with staff and contract component evaluation, we concluded that responsibility to collect information, monitor contract deliverables and document overall compliance with the EMS MC contract is not formally assigned. Current monitoring of the contract, when conducted, is completed by multiple employees without formal coordination or a standard process. Ensuring that the contract agreements are adhered to and communication on status is essential to program administration. A TFMRD employee should be identified and assigned primary responsibility to monitor contract compliance. Monitoring of contract deliverables is a control needed for program oversight and contract evaluation. Confirming that the contract is executed as intended is necessary to evaluate contractor performance.

Recommendations

- 3.1 Develop a formal system and to monitor EMS MC contract deliverables and assign staff responsible for ongoing execution of the monitoring process.

4 – Reconciliation

Background

Tempe Fire Medical Rescue Department ambulance billing services generated approximately \$4 million in revenue for fiscal year 2019/2020 and executes approximately 7,900 transports annually. EMS MC charges a management fee of 3.95% for emergency transportation (ambulance) medical billing services.

Approach

To review the monitoring and reconciliation of ambulance revenue, and determine if there are controls in place to detect and prevent fraud, we:

- Interviewed staff and flowcharted business operations;
- Reviewed bank statements, EMSMC reporting, GL reporting, and prior reconciliations;
- Performed a reconciliation of December 2020 account statement.

Results

Although TFMRD performs routine account monitoring activities, regular reconciliations are not conducted. Performing consistent account reconciliations helps to detect potential fraud and identify accounting errors.

Upon inquiry with TFMRD Budget and Finance Supervisor, reconciliations were initially performed at the beginning of the EMS MC contract but subsequently discontinued. Currently, TFRMD regularly reconciles physical checks received at Fire Administration and resolves payment verification issues with the contractor. TFMRD provided email correspondence with the contractor that demonstrated communication about payment discrepancies and reversals; however, this does not replace the need for a formal reconciliation of funds collected to funds received from the contractor. Regular reconciliations are an important control function over an accounts receivable process.

Our reconciliation of the TFMRD bank account to EMS MC payment portal for December 2020 resulted in a discrepancy of approximately \$16,000. Fifteen deposits to the TMFRD bank account from December 2020 were unable to be settled to EMSMC payment summary including a daily batch deposit which may have prevented patient account from being updated to reflect the payments.

IAO received the December 2020 bank statement, detailed payment information from EMS MC through the online portal EMSight, and access to the lockbox for payment processing. We reviewed the documentation and attempted to reconcile the bank account for December 2020. After review of the documentation, we were unable to locate fifteen deposits to the bank account. EMS MC was contacted on January 11, 2021 by TFMRD staff to report the missing lockbox deposit and this issue was

corrected. The remaining payments IAO was unable to locate were sent to TMFRD staff to reconcile.

Payment type	Discrepancy	Transactions
Bank deposit (lockbox)	\$1,659.31	1
EFT (ACH) payment	\$14,766.80	14
Total	\$16, 426.11	15

The inability to locate payments in EMSight signifies that the City collected the payment revenue but there is a risk that payments may not have been posted to patient accounts. Not posting payments can potentially have negative outcomes for patients. Failure to make payment on accounts or set up payment plans could potentially send accounts to collections causing undue complications for patients and negative perception for City business practices.

Recommendations

- 4.1 Develop a reconciliation schedule and policy and begin performing regular reconciliations to ensure receivables are accurately captured and deposited.
- 4.2 Research audit exceptions identified to ensure that payments were posted to accounts to resolve discrepancies.

Scope and Methods

Scope

IAO reviewed ambulance transports that occurred between July 2019 through June 2020, Valley Collection Services account records from fiscal year 2020, EMS MC contract, and bank account statements from November 2020 through January 2021.

Methods

We used the following methods to complete this audit:

- Interviewed TFMRD and EMS MC staff to determine processes and policies for the ambulance billing program;
- Reviewed Tempe Fire Medical Rescue Department policies, contracts and regulations pertinent to ground ambulance transportation;
- Conducted a risk assessment and tested a sample of EPCR transports and patient records from FY 19/20;
- Reviewed Arizona Department of Health Services ground ambulance service rate schedules;
- Reviewed the EMS MC contract to identify key actionable contract provisions and deliverables;
- Reviewed bank statements, EMSMC reporting, GL reporting, and prior reconciliations to perform a reconciliation.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.