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Office of Inspector General

City of Chicago

Report of the Office of Inspector General:

Department of Finance Emergency Medical Services Billing Follow-Up Inquiry

May 2017

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Joseph M. Ferguson Inspector General

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City of Chicago

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May 8, 2017

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed a follow-up to its July 2016 audit of the Department of Finance's (DOF) billing for emergency medical services provided by the Chicago Fire Department (CFD). Based on DOF's responses, OIG concludes that the Department has partially implemented corrective actions related to the audit findings.

The purpose of the July 2016 audit was to determine if DOF billed accurately and completely for emergency medical services through its contract with a billing vendor. Our audit found that,

- DOF billed accurately for emergency ambulance transports but opportunities existed to strengthen its compliance practices;
- DOF's billing for emergency ambulance transports was not complete, resulting in an estimated \$160,799 of missed fee revenue in 2014;
- DOF could increase fee revenue by an estimated \$696,594 annually if it expanded the range of City-provided emergency medical services subject to fees; and
- DOF could reduce costs by eliminating incentive fees from future contracts or, if the fees are maintained, clarifying how they are awarded.

Based upon the results of our audit, we recommended that DOF,

- take measures to ensure that it bills completely for all billable transports, and consider expanding the range of services subject to a fee;
- consider eliminating the incentive fees from its contract with the billing vendor as a means of reducing costs; and
- if it does not eliminate incentive fees, more carefully review documentation used to justify monthly incentive payments.

In March 2017, OIG inquired with DOF regarding the status of the corrective actions the Department committed to in response to OIG's audit and any other actions it may have taken. On the following pages we have summarized the four original audit findings and recommendations, as well as the Department's response to our follow-up inquiry.

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Based on DOF's follow-up response, OIG concludes that DOF has implemented corrective actions to address the original audit's first and second findings, partially implemented corrective actions to address the third finding, and has initiated implementation of corrective actions to address the fourth finding. Once fully implemented, OIG believes that the corrective actions reported by DOF may reasonably be expected to resolve the core findings noted in the original audit. We urge the Department to implement corrective actions, whether partially implemented or pending implementation, to resolve the third and fourth findings in our original audit report.

We thank the staff and leadership of DOF for their cooperation during the original audit and responsiveness to our follow-up inquiries.

Joseph M. Ferguson Inspector General City of Chicago

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Respectfully,

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OIG File UI 7-0102
Emergency Medical Services Billing Audit Follow-Up Inquiry

May 5, 2017

Follow-Up Results

In March 2017, OIG followed up on a July 2016 audit of Emergency Medical Services (EMS) Billing.¹ DOF responded by describing the corrective actions it has taken since receiving the original audit and provided supporting documentation. We summarize the four original findings, the associated recommendations, and the status of the Department's corrective actions below. OIG's follow-up inquiry did not observe or test implementation of the new procedures, and thus makes no determination as to their effectiveness, which would require a new audit with full testing of the procedures.

OIG uses four categories for Status of Corrective Action:

OIG Recommendation: OIG recommended that DOF work with the billing vendor to ensure that the vendor (1) corrects any software errors that prevent it from researching and accurately billing all accounts, and (2) aligns its application of medical necessity coding criteria with the Illinois Department of Healthcare and Family Services Office of Inspector General (DHFS OIG). In addition, DOF should evaluate the cost effectiveness of reviewing unbilled accounts to ensure that all billable accounts are billed appropriately, and document this evaluation for future reference. If the Department finds it to be cost effective, it should institute a routine review of unbilled accounts.

Status of Corrective Action: Implemented. In response to the original audit, DOF stated that it had corrected the software issue which prevented billing of two accounts identified by OIG. DOF also stated that it "does and will continue to align its billing policies with the DHFS OIG's recommendations for medical necessity coding criteria." The Department noted, however, that "the DHFS OIG does not publish advisory opinions or provide formal guidance on these issues, and there are significant penalties for improperly billing Medicare/Medicaid based on medical necessity," suggesting that in cases of uncertainty DOF would continue to err on the side of not billing.

In response to OIG's follow-up inquiry, DOF stated that "in November 2016, DOF implemented monthly reviews of a sample of unbilled accounts. Reviews are conducted on a monthly basis by

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DOF staff and presented to the compliance committee for review and discussion." DOF provided OIG with a copy of a monthly review.

Finding 3: **DOF could increase fee revenue by an estimated \$696,594 annually if it expanded the range of City-provided emergency medical services subject to fees.**

OIG Recommendation: OIG recommended that DOF consider charging a reasonable fee for ambulance treat-no-transport services and working with the ambulance billing vendor to begin billing for these services. In addition, DOF should evaluate the costs and benefits that would result from billing for other currently unbilled ambulance services, document that evaluation, and, if appropriate, work with CFD and OEMC to implement the necessary changes to begin billing for such services. OIG also recommended that if DOF expands the range of medical services that can be billed, the Department should consider adopting procedures to address its concerns related to patient-declined treatments, low-income patients, and other situations that may require exceptions to the billing process.

Status of Corrective Action: Partially Implemented. In its follow-up inquiry response, DOF stated that it did not perform a cost/benefit analysis,[^] but instead reviewed the feasibility of treat-no-transport billing and decided not to bill for treat-no-transport at this time. DOF stated that it projects only "\$186,000 in annual cost recovery if the fee is implemented.

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City of Chicago Office of Inspector General

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Mission

The City of Chicago Office of Inspector General (OIG) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, effectiveness, and integrity in the administration of programs and operations of City government. OIG achieves this mission through,

administrative and criminal investigations; audits of City programs and operations; and reviews of City programs, operations, and policies.

From these activities, OIG issues reports of findings and disciplinary and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose, and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

Authority

The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

To promote economy, efficiency, effectiveness and integrity in the administration of the programs and operations of the city government by reviewing programs, identifying any inefficiencies, waste and potential for misconduct therein, and recommending to the mayor and the city council policies and methods for the elimination of inefficiencies and waste, and the prevention of misconduct.