

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

Einergcncv Medical Services Billing Audit Follow-Up Inquiry

May S. 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:

- **Implemented** - The department has implemented actions that may reasonably be expected to resolve the core findings/concerns noted in the original audit.
- **Partially Implemented** - The department has implemented actions in response to the audit, but the actions do not fully address the findings/concerns raised in the original report.
- **Pending Implementation** - The department has initiated action plans that, if fully implemented, may reasonably be expected to resolve the core findings of the original audit. However, the department has not completed implementation.
- **Not Implemented** - The department has not initiated or implemented any actions responsive to OIG's findings.

FINDING 1: DOF billed accurately for emergency ambulance transports, but opportunities exist to strengthen its compliance practices.

OIG Recommendation: OIG recommended that DOF evaluate whether it would be cost effective to develop and implement a compliance program that follows voluntary federal guidelines for ambulance suppliers,² and that DOF document this evaluation for future reference. If the Department finds it cost effective, DOF should develop and implement an oversight structure (e.g., a compliance officer and compliance committee) sufficient to ensure that compliance activities are effectively designed to identify and mitigate risk, and are functioning as intended.

The 2016 audit report is available on the OIG website: <<http://chicagoinspectorgeneral.org/publications-and->press/audit-of-dof-emertzcncv-medical-services-billint/>>.

² These federal guidelines do not impose requirements, but are intended to assist ambulance providers in designing compliance programs to prevent fraud and abuse. See United States Health and Human Services, Office of Inspector General, "OIG Compliance Program Guidance for Ambulance Suppliers," 68 Federal Register 56, March 23, 2008, 14245-14255, accessed April 28, 2017, <https://federalregister.gov/a/03-6866>.

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Status of Corrective Action: Implemented. In response to OIG's follow-up inquiry, DOF stated that "after reviewing the federal guidelines for compliance plans, DOF has updated the existing compliance plan evaluation and risk assessment process. DOF has added several

new sections to the risk assessment, including sections on avoiding claim submission for deceased patients, eliminating improper 'upcoding' of claims, stopping recuning billing issues, and ensuring review of updated laws and regulations." DOF provided a copy of the updated plan to OIG. DOF said it has established a new EMS Compliance Committee that "will meet on a monthly basis and will continue to ensure the City is in alignment with all compliance program elements recommended by the federal OIG." The Department stated that it "did not complete a formal cost/benefit analysis because the cost associated with the updates made to the plan was minimal."

Finding 2: **DOF's billing for emergency ambulance transports was not complete, resulting in an estimated \$160,799 of missed fee revenue in 2014.**

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. The minimal revenue projected from this type of billing does not justify the cost of billing. Further, as many of the patients receiving treatment but not being transported are underinsured or uninsured, the revenue would be coming from an extremely vulnerable segment of the population who can least afford it."

Finding 4: **DOF could reduce costs by eliminating incentive fees from future contracts or, if these fees are retained, by clarifying how they are awarded.**

OIG Recommendation: OIG recommended that DOF consider eliminating the compliance incentive fee from future emergency medical services billing contracts. The Department's assessment of this issue should include an analysis of the impact that such an adjustment would have on the base fee rate and, ultimately, the total contract cost. OIG also recommended that, in the near term, DOF should convey to the vendor the City's expectations regarding how the error rate should be calculated. In addition to DOF's review of the

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supporting documentation that underlies the vendor's error rate calculation, DOF should also review the vendor's error rate calculation each month to confirm its accuracy. In the original audit, OIG found that DOF had reviewed supporting documentation provided by the vendor each month, but the Department made no attempt to use the information to validate the reported error rate. OIG also found that the vendor had not supplied all necessary information to DOF for five of the twelve months reviewed in the original audit.

Status of Corrective Action: Pending Implementation. In its follow-up inquiry response, DOF stated that it recently began negotiations with the selected vendor. "The fee and compensation structure have not been finalized, but it is contemplated that the fee paid to the vendor will include a compliance component. A percentage of the total negotiated fee will be designated as a compliance fee which will not be paid to the vendor if they fail to

meet the City's compliance requirements." DOF further stated it will clearly detail the method for calculating the compliance incentive fee in the new contract, and it has communicated its expectations and proposed contract language regarding the method of calculation. "DOF will ensure that the language is clear and eliminates any ambiguities, including those highlighted in the OIG's original audit response." The Department also stated that it "continues to monitor the error rate calculation as it has since at least 2007."

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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.