



OFFICE OF INTERNAL AUDIT

REPORT TO THE BOARD OF SUPERVISORS

Management Request for Review of
Long Term Care Claims Management

Lori Stripling, Internal Audit Officer
Bill D'Elia, Internal Auditor

December 23, 2008

Executive Summary

The purpose of this audit was to evaluate controls over claims processing within the Pinal County Long Term Care Department (LTC), to determine if the Finance Department (Finance) can rely on LTC to validate payments. Overall, LTC has established an effective system of internal controls over long term care and medical claims processing. Policies and procedures for management of claims are well documented, provide a good system of checks and balances, and are effectively applied.

For example, they:

- Provide for a secure automated system for processing
- Require pre-authorization for care and medical services
- Provide for review of claims by processors and approval by management
- Ensure review for other insurance to off-set costs
- Mandate sample audits on a weekly basis

When reviewing claims we noted that all paid claims had:

- Proper supporting documentation
- Denials of unauthorized or duplicate claims
- Costs verified
- Pre-approval (when required) by independent County case managers

While we believe that LTC has established an effective system of internal controls to process claims, we concur that Finance, as the disbursing office for the County, should maintain its own assurance that payments are proper and supported. Therefore, we recommend that:

- Long Term Care should provide Finance with complete claims for their review, when requested.

The following report provides additional details of our audit observations.

Lori Stripling
Internal Audit Officer

Background

The Office of Internal Audit has completed a review of long term care claims management within the Pinal County Long Term Care Department (LTC). The audit was conducted in accordance with generally accepted government auditing standards and included such tests of internal controls as deemed necessary. We relied on automated data from the Plexis Claims Management system to support some of our conclusions and traced the data to supporting documentation, to provide assurance we could rely on the automated data.

LTC arranges for provision of health care to frail, elderly and physically disabled patients, as authorized under the Arizona Health Care Cost Containment System (AHCCCS). AHCCCS provides Pinal County about \$40 million per year in funding for this program. To administer payments for this program, LTC employs a Claims Manager and six claims processors to review and approve claims submitted by care providers. Due to patient privacy regulations and concerns, LTC management limits the amount of claims information transmitted to the County Finance Department (Finance) when submitting a claim for payment. The Assistant County Manager for Administrative Services and LTC jointly requested this audit, to evaluate controls over claims processing and determine if they provide adequate assurance of the validity of claims presented to Finance for payment.

Scope and Methodology

- The purpose of this audit was to evaluate controls over claims processing within the Pinal County LTC Department to determine if Finance can rely on LTC to properly validate payments.

To accomplish our objectives, we:

- Interviewed LTC personnel
- Reviewed a judgmentally selected sample of claims from five (5) medical providers, as well as other relevant documents, such as policies and procedures, audit reports, and management reports

Overall Evaluation

Overall, LTC has established an effective system of internal controls over long term care and medical claims processing. Policies and procedures for management of claims are well documented, provide a good system of checks and balances, and are effectively applied.

For example, they:

- Provide for a secure automated system for processing
- Require pre-authorization for care and medical services
- Provide for review of claims by processors and approval by management
- Ensure review for other insurance to off-set costs
- Mandate sample audits on a weekly basis

For all claims reviewed, we noted:

- Proper supporting documentation
- Denials of unauthorized or duplicate claims
- Costs verified
- Pre-approval (when required) by independent County case managers

We also noted, however, that shared information between LTC and Finance could be improved, to provide further assurance to Finance that payments for claims are properly supported.

Audit Results:

A. Long Term Care and Finance Department Responsibilities.

The information provided by LTC to Finance could be more detailed. Due to patient privacy concerns, LTC currently does not provide Finance with detailed documentation to support claims submitted for payment. Finance currently receives a cover sheet, prepared by LTC, which indicates the total amount owed to a provider, with no detailed patient information attached. The files retained by LTC include this cover sheet, plus a complete printout of patient information, along with detailed claims reports submitted by the provider.

After reviewing a sample of claims we concluded:

- The complete claims files are large and voluminous, and duplicate storage at both LTC and Finance locations would result in unnecessary storage costs for the County.
- Finance can rely on LTC's system of internal controls to ensure claims are properly reviewed and approved.
- Finance requires and is satisfied with the level of detail currently provided for the claims presented for payment.

It is important to note, though, that privacy regulations do allow review of complete claims files by personnel responsible for payment, if needed to ensure proper review and validity of claims.

Overall, LTC's internal controls are adequate to ensure proper payment of claims; however, Finance could further increase its assurance of their validity by performing periodic reviews of detailed claims information. It is important that LTC staff allow Finance personnel to periodically review complete claims files, as needed, to provide assurance that payments are adequately supported.

Audit Recommendation:

Long Term Care should provide Finance with complete claims files for their review, when requested.

Exhibits:

Exhibit A: Management Response

Exhibit A
Audit of Long Term Care Claims Processing
Management Response and Action Plan
December 2008

AUDIT <hr/> Recommendation	CONCUR (Yes or No)	ACTION PLAN	TARGET DATE	INDIVIDUAL RESPONSIBLE
<i>Long Term Care should provide Finance with complete claims files for their review, when requested.</i>	Yes	Long Term Care will provide Finance with complete claims files for their review when requested.	As needed	Susan Murphy, Andrea Kennedy