

PERFORMANCE AUDIT

Reimbursement Office Business Practices

Department of Public Health and Human Services

SEPTEMBER 2009

08P-12

REPORT SUMMARY

Strengthening business practices at the Department of Public Health and Human Services' Reimbursement Office could increase the reimbursed portion (currently 39 percent) of \$68.9 million in annual services provided at state facilities, which includes Montana State Hospital, Montana Veterans' Home, Montana Development Center and others.

**Context**

The Reimbursement Office (RO) in the Department of Public Health and Human Services (department) is responsible for securing reimbursement of expenses incurred by the state by billing for services provided to residents residing at the department's facilities. There are four sources of reimbursement including Medicaid, insurance proceeds, payments by residents or persons legally responsible for them, and Medicare. Total charges submitted to the RO for fiscal year 2008 were \$68.9 million. The RO secured reimbursement of \$26.6 million (39 percent) of the expenses incurred by the facilities. The remaining 61 percent, or \$42.4 million, is absorbed primarily through the general fund.

The audit objectives addressed whether controls exist to ensure:

- Residents' financial information and service documents are collected and transferred to the RO.
- Medical claims and resident bills are processed efficiently and accurately.
- Resident accounts receivable balances are addressed and resolved in a timely manner.
- Management controls are effective to guide operations.
- Personal health data is secure and protected.

We conducted interviews with department staff and performed file review of 180 financial investigator resident files and over 300 medical service documents. We identified controls in place over bed day service documents; however, controls do not ensure all medical service documents are received by the RO. Additionally, we identified 53 percent of all services provided in calendar years 2007 and 2008 were unbilled. Of these services, we identified 12,146 of these unbilled services could be denied for untimely filing.

**Total Cost of Services Submitted for Billing and Dollars Reimbursed**  
Fiscal Year 2008

Facility	Cost of Services	Reimbursements	
		Amount	Percent
Montana State Hospital	\$34,308,892	\$9,003,703	26%
Montana Veterans' Home	\$7,022,589	\$4,672,191	67%
Montana Developmental Center	\$15,443,113	\$9,224,076	60%
Montana Chemical Dependency Center	\$3,891,867	\$93,880	2%
Montana Mental Health Nursing Care Center	\$8,282,525	\$3,600,234	43%
<b>Total</b>	<b>\$68,948,986</b>	<b>\$26,594,084</b>	<b>39%</b>

Source: Compiled by the Legislative Audit Division from Management Information and Cost Recovery System (MICRS) data.

## Results

Twelve recommendations are made to the department. Recommendations include the following:

- Establish policy and procedures for financial investigator's activities
- Comply with state accounting procedures
- Ensure all medical service claims are sent to the RO within set timeframes
- Ensure unbilled and denied claims are processed
- Develop an overall management plan
- Establish controls to ensure confidential information is secure and protected

Recommendation Concurrence	
Concur	12
Partially Concur	0
Do Not Concur	0

Source: Agency audit response included in final report.