



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

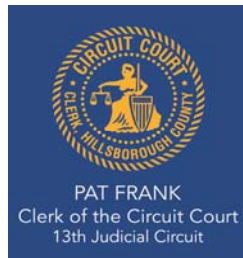
COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

**ADVANCED DATA PROCESSING, INC. BILLING AND COLLECTIONS
AGREEMENT MANAGEMENT**

REPORT # 287

MAY 13, 2015



May 13, 2015

The Honorable Sandra L. Murman, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller
The Honorable Stacy R. White

Dear Chairman Murman and Commissioners:

The Audit Team performed an agreement management audit of the ambulance transport billing and collections services received from *Advanced Data Processing, Inc.* (Audit Report # 287, dated May 13, 2015). Response to the Audit Team's recommendation was received from the Fire Chief and is included in the Report after the audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Chief and personnel of the Fire Rescue Department during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director of County Audit

CC: Mike Merrill, County Administrator
Greg Horwedel, Deputy County Administrator
Dennis Jones, Fire Chief, Fire Rescue Department
Ron Rogers, Deputy Fire Chief, Fire Rescue Department
Kevin Brickey, Economist, Management & Budget
Rick VanArsdall, Chief Deputy, Finance

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

On December 1, 2010, the Board of County Commissioners (BOCC) approved a five-year, \$2,799,348 Fire Rescue Department (Fire Rescue) billing and collection services agreement (Agreement) with Advanced Data Processing, Inc. (ADPI), also known as Intermedix. The effective date of the Agreement began with the Notice to Proceed on January 28, 2011, and will continue through January 31, 2016 (Hillsborough County Document Number 10-1156). At the sole option of the BOCC, the Agreement may be extended for up to one additional five year period at the same terms and conditions.

The purpose of the Agreement is for ADPI to provide a fully comprehensive and automated medical billing and collection system, training, technical and administrative support for Fire Rescue's Advanced Life Support (ALS) services, Fire Marshal Inspections, permits and false alarm fees. Additionally, ADPI is to provide analysis and maintenance of patient accounts, including billing for services to the patient, the responsible party, and/or the insurance provider.

During fiscal years 2011 through 2014, ADPI invoiced patients a total of \$70,462,726 for ambulance transport fees.

As shown in the table below, during the same time period (fiscal years 2011 through 2014), \$17,304,367 was written off as bad debt expense in uncollected ambulance transport fees. These write-off amounts represent ambulance transport activities that occurred three years prior to the year in which they were written off (fiscal years 2008 through 2011). For example, the \$4.4 million written off in fiscal year 2011 represents a portion of the \$15.9 million in transport activities that occurred in fiscal year 2008.

FISCAL YEAR	WRITE-OFF AMOUNT	THE FISCAL YEAR IN WHICH WRITE-OFF ACTIVITIES OCCURRED	AMOUNT THAT WAS BILLED FOR AMBULANCE TRANSPORT ACTIVITIES	WRITE-OFF PERCENTAGE
2011	\$ 4,483,964	2008*	\$15,992,035	28%
2012	\$ 3,659,767	2009*	\$15,871,038	23%
2013	\$ 3,841,249	2010*	\$15,408,031	25%
2014	\$ 5,319,387	2011	\$15,618,250	34%
	\$17,304,367		\$62,889,354	27.5%

*Billing and collection services for this fiscal period were performed by a previous vendor.

The Agreement's Minimum Specifications, Section 13.14, contains a provision for ADPI to turn over aged, delinquent accounts to a collection entity designated by the County for further pursuit. However, at the time of this Report, the County does not utilize the services of a collection entity to pursue outstanding receivables.

OBJECTIVE

The objective of the audit was to determine whether or not Fire Rescue adequately manages its Agreement with ADPI.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The scope of work was for the three month period ending June 30, 2014. This was the three month period that was six months prior to the audit start date of January 1, 2015. The timing of the scope period was selected to allow sufficient time for the collection and posting of payments to occur.

SCOPE LIMITATION

The scope of work was limited to ambulance transport billing and collection services, and to ADPI invoicing the County for services rendered. The scope of work did not include a determination of whether or not medical codes, medical billing calculations, medical identifiers, or any other medical data were accurate. The scope of work did not include billing and collection services of the Fire Marshal inspections.

OVERALL EVALUATION

Fire Rescue was responsive to the Audit Team's inquiries and provided thorough information when requested. Information was provided in a prompt and

courteous manner. The Audit Team encountered knowledgeable and dedicated employees during the course of the audit.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	Management controls over the ambulance billing and collection processes are defined and documented.	5

OPINION

Fire Rescue's control environment is at the formal (defined) maturity level. Controls to transmit and confirm the number of transports transferred to ADPI provides a reasonable level of assurance that all transports are billed. There are opportunities to enhance the control environment to ensure that transports are properly billed and collected.

Controls over the invoice processing and payment processes are well defined and documented. These processes ensure that the BOCC's payments to ADPI are made in accordance with the Agreement. Fire Rescue has an opportunity to improve oversight controls over the ADPI invoice payment process.

Fire Rescue meets quarterly with ADPI in an on-going effort to manage the Agreement, including identifying methods for improving collections and increasing the monthly collections rate. These methods include, but are not limited to, increasing the number of patient billing statements sent from four to six and implementing additional training for paramedics in completing the Medical Encounter Reports (MER).

Implementing the recommendation in the Report will help Fire Rescue enhance its oversight and monitoring of the Agreement with ADPI.

The exit conference was held on March 20, 2015.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, Director of County Audit
Steve Hooper, CIA, CGAP, CCSA, CFE, Audit Manager

Mark Kolman, CIA, CISA, CPA, CFE, Audit Manager
Margaret Brown, CIA, Senior Auditor
Ben Everett, CPA, CIA, Auditor II
Marc Hogan, Auditor II

AUDIT COMMENT & RECOMMENDATION

AUDIT COMMENT 1

Management controls over the ambulance billing and collection processes are defined and documented.

Audit Test of Ambulance Billing and Collection Services

The Audit Team determined whether or not Fire Rescue adequately manages its Agreement with ADPI, providing assurance that revenues are properly billed, collected, and recorded by ADPI.

The Audit Team:

1. Identified the full population of ambulance transports for the three month period ending June 30, 2014 (10,516 transports, with an associated billable charge amount of \$4,935,596). Using that population, the Audit Team selected a judgmental sample of 30 transports totaling \$13,674 in billable charges. The Audit Team determined whether or not the sample of ambulance transports' billing and collection services were performed in compliance with the Agreement.
2. Identified the three (April – June 2014) invoices submitted by ADPI to Fire Rescue for services rendered and determined whether or not these invoices were: accurate, complied with the Agreement, approved by the appropriate level of management, and were paid in compliance with Florida's Prompt Payment Act (Chapter 218.70 – 218.80, Florida Statutes).
3. Identified the ambulance transport collection rates for Hillsborough County; ascertained whether or not the collection rate met management's expectations and was comparable to other Florida local government collection rates.
4. Identified and documented the ambulance transport billing and collections work flow process (using flowcharts and narratives) and assessed the control environment.

Results of Testing

1. For the 30 transports tested:

- In compliance with the Agreement, 100% had a corresponding Medical Encounter Report (MER) sent to ADPI within 10 days of the incident date. The MER is used to determine billable charges.
- 100% resulted in a generation of a statement, invoicing all associated patient transport fees.
- In compliance with the Agreement, 87% of the statements generated were sent within 20 days of the incident date.
- 50% of the statements did not require subsequent mailings every 30 days due to the statement being paid in full or was being processed by an insurance provider. In compliance with the Agreement, 73% of the remaining fifteen accounts were mailed subsequent statements every 30 days.
- The total amount billed for the entire sample of 30 transports was \$13,674. As of the date of testing (January 30, 2015): 18 statements, totaling \$9,887, were paid in full; 5 received partial payments; and 7 remained unpaid. The unpaid balance totaled \$3,788 (or 27.7% of the amounts tested).

It should be noted that ADPI provides Fire Rescue with an aging report showing open accounts.

2. For the three ADPI invoices tested, the invoices and supporting documentation were properly reviewed, approved and paid on time.
 - ADPI invoices were mathematically accurate.
 - ADPI billing rates were in compliance with the Agreement.
 - Supporting documentation properly supported the invoices' detail.
 - Invoices showed evidence of review and reconciliation.

- The supporting documentation on file at Fire Rescue agreed to the invoices' detail.
- The staff member, who reviewed the invoices, notated his approval to pay on the invoices.
- Invoices were paid in accordance with Florida's Prompt Payment requirements.

Invoices are reviewed, reconciled, and approved as correct and accurate to pay. Invoices are receipted by Fire Rescue's Logistics Division in OnBase, which moves the invoice along the payment process, where it is approved for payment in Oracle by Fire Rescue management.

3. Per the Agreement's minimum specification requirements (Part B, Section 13.28), the minimum standard ambulance transport collection rate for Hillsborough County is 70%.

During fiscal years 2011, 2012, and 2013, Hillsborough County's ambulance transport collection rates were below the minimum required rate. The rates, as reported by ADPI, were 62%, 63%, and 62%, respectively. As of January 2015, the fiscal year 2014 collection rate was not yet available. Payments were in the process of being collected and the rate will not be finalized for several months.

However, Section 13.28 is not entirely clear. Section 13.28 states *"This contract shall require a minimum standard of 70% monthly success rate by the Contractor when collected payments are compared to net charges. (Net charges equal gross charges less contractual adjustments). This minimum standard shall be maintained during the first contract year. If the Contractor fails to achieve and maintain the standard, the Contractor shall be given a grace period of 30 days to reach the required standard. If unsuccessful in meeting the standard, HCFR may suspend services, as its sole option, with sixty days notice to the Contractor and recommend termination of the contract to the Hillsborough County Board of County Commissioners."*

This section can be interpreted to mean that the 70% collection rate was only applicable in the first contract year and not intended to be applicable

to subsequent years. It could also be interpreted to mean that after the first year, the minimum collection rate could be adjusted.

To compare Hillsborough County's collection rate to others, the Audit Team obtained eight Florida Counties' most recent available ambulance transport collection rates.

The collection rates ranged from 50% to 71.25% with an average of 64.6%.

- Pasco County had the highest collection rate of 71.25%. Pasco County performs its own billing services.
- Orange County had the lowest collection rate of 50%-55%. Orange County's billing services are performed by ADPI.
- ADPI provides ambulance transport billing and collection services to four of the eight counties surveyed with an average collection rate of 62%.
- There are three counties with similar populations to Hillsborough County in the survey (Palm Beach, Pinellas and Orange). Palm Beach County's collection rate was 70%, Pinellas County's collection rate was 70%, and Orange County's collection rate was 50%-55%.

See Appendix A for further details.

4. Fire Rescue implemented controls to monitor the number of transports billed. For example, controls in the billing process ensure all transport incidents are provided to ADPI for subsequent patient billing.

By outsourcing the ambulance billing and collections function to ADPI, Fire Rescue relies on ADPI to: properly determine the amount to be billed, mail the bills, track patient account statuses, and to calculate the collection rates. As a result, the control structure over the ambulance transport billing and collection process resides mainly within ADPI. Although, Fire Rescue implemented a process to confirm the total number of daily ambulance transports to be billed, the specific dollar amounts associated with the transport billings are not periodically verified by Fire Rescue.

Monthly fees paid to ADPI for services rendered are based on collections. Monthly invoices are: verified by Fire Rescue for mathematical accuracy, contractual compliance, sufficient evidentiary support, and approved for payment. However, the review and approval is performed by one individual. No other person monitors the review and approval process, even on a periodic basis. Fire Rescue has an opportunity to enhance the control environment by improving management's oversight of the ADPI invoice payment process.

RECOMMENDATION

Consideration should be given to:

1. Spot-checking samples of individual patient billings for accuracy.
2. Contracting with a collection agency for accounts that are aged over one year and before writing-off receivables as uncollectible after three years.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

1. *Spot-checking samples of individual patient billings for accuracy.*

Management Response: Management concurs. To implement this recommendation, staff will select 10 patient accounts randomly from all month-end ADPI patient billing reports and will verify the billed rates on those accounts correspond to the rates established in the contract. This action will start with the April 2015 reporting cycle. The selected accounts will be documented and filed monthly with the end of the month reports.

2. *Contracting with a collection agency for accounts that are aged over one year and before writing-off receivable as uncollectible after three years.*

Management Response: Management concurs. To implement this recommendation, management will work with the Procurement Services Department and the Clerk of the Circuit Court to evaluate the feasibility of

implementing a cost effective collections process. However, the Board of County Commissioners is the final authority on implementing a new collection policy, and Board approval of the changes therefore will be required

TARGET COMPLETION DATE

1. Spot Checking samples in individual patient billings will be implemented with the April 2015 month end reporting cycle.
2. Contracting with a collection agency- Proposal for the Board of County Commissioners by September 30, 2015.

APPENDIX A

COUNTY	POPULATION ¹	COLLECTION RATE	AS-OF YEAR	BILLING VENDOR USED	SOURCE
Pasco	475,502	71.25%	FY 2014 ending 09/30/2014	In-house	Jennifer A. Waibel Ambulance Billing Supervisor Pasco County Fire Rescue
Palm Beach	1,372,171	70%	FY 2014 ending 09/30/2014	ADPI	Michelle Liska Financial Analyst III Palm Beach County Fire-Rescue
Pinellas	929,048	70%	FY 2014 ending 09/30/2014	Sunstar	Jodie Sechler Director Of Billing Sunstar
Manatee	342,106	68.4%	Calendar year 2014	McKesson Business Performance Services	Christine L. Bowling EMS Business Operations Manager Public Safety Department
Brevard	550,823	65%	FY 2014 ending 09/30/2014	ADPI	Cindy Paulin Special Projects Coordinator II Brevard County Fire Rescue
Hillsborough	1,291,578	62%	FY 2013 ending 09/30/13	ADPI	ADPI
Sumter	107,056	61.5%	1st Qtr of calendar year 2012	unknown	Internet search by auditor
Polk	623,009	60.5%	FY 2014 ending 09/30/2014	ADPI	Joey Rowe Financial Administrator Polk County Fire Rescue
Orange	1,225,267	50-55%	FY 2013 ending 09/30/2013	ADPI	Kelvin Morales Finance Coordinator Orange County Fire Rescue

¹SOURCE: <http://www.florida-demographics.com/countiesbypopulation>