



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF EMS BILLING CONTROLS

Report Number:
2024-A-15

Report Date:
06/14/2024

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Emergency Medical Services Billing Controls for the period of 1/1/2021 through 12/31/2023. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2024.

The objective of this audit was to confirm that Emergency Medical Services Revenue is collected completely and accurately. The scope was limited to collections for services provided by the County government; it did not include the revenues collected by volunteer fire companies. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their cooperation during the audit; they have been provided an opportunity to respond to this report; the response(s) provided follows the Issues and Corrective Actions.

Sincerely,

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is controls can be improved to ensure EMS billings are correct and timely. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment ⁱ
EMS Revenue is complete and accurate	Not Effective
EMS Revenue is received timely	Not Effective
EMS Billing Contractor fees are paid correctly	Generally Effective

ISSUES AND CORRECTIVE ACTIONS

2024-A-15.01 Unbilled EMS Transports

After a County ambulance transports a patient, the Emergency Medical Technicians involved must complete a report of the care provided. After the medical report is entered, it is reviewed by a Quality Assurance reviewer to confirm the records are complete and accurate. When complete, that information is captured by the contracted billing company so that a claim/invoice can be sent to the patient or their insurance company. Ideally, the medical report is completed by the care provider within 24 hours and the quality assurance review is completed within 48 hours of the patient transport.

During the audit period there were approximately 21,800 County EMS transports; approximately 70% (15,000) were during or after March 2023 when the County began taking over ambulance service from the Volunteer Fire Companies. The significant increase in transports has created a backlog of incidents awaiting quality assurance review. At the start of this audit, the oldest items awaiting review were from July 2023. Incidents are not necessarily reviewed sequentially, so some transports after that date have been billed.

When looking at the entire population of County-owned EMS transports during the audit period, we found approximately 11,700 had not been billed; nearly 3,000 of them were before July 2023. We estimate the unbilled transports represent approximately \$4.9 million in County revenue.

After considering the backlog, we selected a random sample of 73 transports during the audit period and noted that 18 of them had not been billed. We inquired of management to determine the reasons they were not billed and noted that each call would have to be reviewed individually, but they noted there are "several reasons why the calls were not billed:

- a. The call was auto-locked – our staff needs to unlock the call
- b. The call was billed by another agency-VFC.
- c. The call was not QA'd – our staff still needs to review the call
- d. The call was reviewed and not yet billed. "

Management has advised that they are taking steps to fix those matters including additional staffing and weekly monitoring of the status reports.

We recommend management review the status of transports before July 2023 that have not been billed. We further recommend management consider whether the current backlog necessitates funding an additional position to perform quality assurance procedures.

Management Response: Status of transports that have not been billed are being reviewed on a weekly basis. The following corrective actions have been established:

1. Unlock calls that have been auto locked, and ensure they are billed.
2. Revenue in the amount of \$10,856.40 was transferred to the County for calls that were accidentally billed by a VFC. This was the result of an issue with incorrectly coding the vehicle dispatch location, which has been corrected. QA staff are also monitoring this situation.
3. A FT paramedic was hired to work solely on QA in November 2023. A retiree position will be replaced with another FT QA person in July 2024.
4. Two temporary PT people were hired in April to help catch up on QA.

Since hiring additional QA staff, our current estimated unbilled calls for the audit period have been reduced to 4500. We expect to be completely caught up on QA by the end of the fiscal year. For FY 2025, two FT personnel will be able to stay current with QA. QMC is being notified weekly of unbilled calls that are ready to be billed.

Expected Completion Date: 07/01/2024

2024-A-15.02 Incorrect Billing Rates

Historically, Harford County's Code has allowed EMS transports to be billed at 100% of the Medicare allowable rate. This was adjusted to 175% of the allowable rates, effective 8/14/2023. Medicare adjusts its allowable rates for each calendar year. The increase was 5.1% for 2022 and 8.1% for 2023.

There were approximately 21,800 EMS transports during the 3-year audit period. We selected a random of 73 patient transports to confirm that they were billed correctly. Thirty-seven (37) of the sampled items were in 2023; 28 were billed for, including three after the approved rate increase. We found that for each of the billed 2023 transports, the 2022 Medicare rates were used. We also noted that the increase to 175% was implemented timely, but it was applied to the 2022 rates.

We calculated an under billing of approximately \$1,600 for the sample. This amount does not necessarily equate to a specific amount of lost revenue since accounts are often adjusted based on insurance company payments and contractual allowances. We have estimated the lost revenue to be approximately \$200,000.

We reviewed a few haphazardly selected 2024 service date billings and noted that the 2022 rates were still in use; 2024 rates had not yet been implemented. Management has advised that they notified the billing company of the need to update their systems to reflect the current rates.

We recommend the County Administration develop a procedure to confirm that rates are adjusted timely.

Management Response: A discussion occurred with our third-party billing company QMC, and we confirmed that the rates hadn't been appropriately updated annually. They had assumed that the updates were automated in their system, and only the manual increase for the increase to 175% was completed. QMC has since updated the rates which have been confirmed by Treasury.

QMC stated they have procedures in place for updating the rates going forward. In addition, the Department of Treasury created procedures for confirming the rates have been updated timely, and scheduled reminders to complete the review in early January. A recurring meeting with QMC is scheduled for mid-December to remind them of the upcoming annual rate adjustments that will take place at the start of the new calendar year.

Expected Completion Date: 06/14/2024

2024-A-15.03 Underpayment for Billing Services

QMC invoices the County monthly for its 6% commission based on the total of payments processed and recorded in its systems. When the invoice is received by the County, it is not reconciled to the payments that were received before being paid. We reviewed the 36 monthly invoices during the audit period and noted that all but one agreed to the data obtained from QMC's systems. However, only 20 of them could be reconciled completely or within 1% of the revenue received by Harford County. Over the audit period, the total variance was less than +0.25% of the \$3.7 million received.

For the one invoice that did not agree to QMC's files, there were some late processed transactions resulting in an underbilling by QMC. If invoiced completely, the County would have paid \$412.23 more to QMC.

Contractually, QMC may bill 12% for any Supplemental Medicaid payments collected. Two

of these invoices were paid during the audit period. We reconciled those invoices to the Supplemental Medicaid payments received and found that one was miscalculated resulting in an underpayment to QMC of \$4,956.70.

We recommend County officials compare the QMC invoices to the revenue received prior to processing QMC's commission payments.

Management Response: DES staff will review QMC's invoice for Medicaid supplemental deposits and ensure it is calculated correctly. Documentation will be included with the payment request for Treasury's review.

Expected Completion Date: 06/14/2024

MANAGEMENT RESPONSE

The following is a general management response from the Director of Emergency Services.

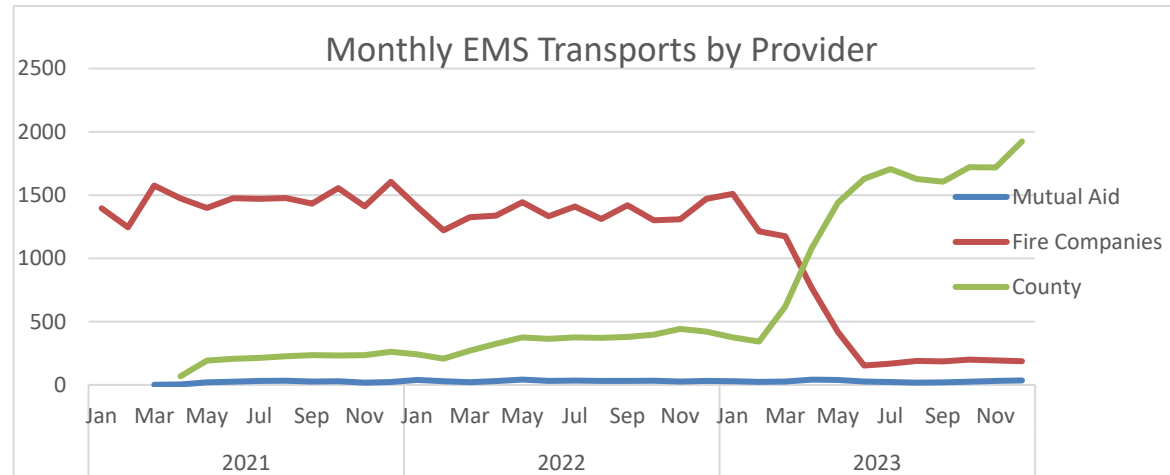
Thank you for the opportunity to review the draft EMS billing audit report and for the changes that were made to the final draft based on the Department of Emergency Services feedback at the May 22, 2024 exit conference. We appreciate the collaborative discussion and look forward to the inclusion of the County's formal response to the audit findings and recommendations to the final report.

As you are aware from our exchange during the exit conference, the county concurred with the 3 audit recommendations.

I compliment the Audit Team for their thorough research and painstaking effort to analyze and interpret the EMS billing information for the purpose of this report. We will continue to discuss the findings and recommendations towards enhancing our EMS billing procedures.

BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

Harford County operates a fleet of ambulances that has grown from three vehicles in 2019 to 18 in 2023. When the ambulance service started, its purpose was to supplement the services provided by the various volunteer fire companies. In 2023, the County absorbed the operations of most fire companies' ambulance services. The chart below shows the change in volume during the audit period.



When one of the medic vehicles transports a patient, the County charges for those services at 175% of the Medicare reimbursement rates. A billing company, QuickMed Claims (QMC), has been contracted to perform the invoicing and collections. QMC receives a 6% commission on all amounts collected on behalf of Harford County and 12% of any Supplemental Medicaid revenue. The County has adopted Rules and Regulations related to billing rates and collection procedures.

The audit approach focused on testing the key controls that address management's objectives. Our audit procedures included interviewing personnel, observation, and testing as described in the table below.

Process / Control Objective	Scope of Review
EMS revenue is complete and accurate	
Invoices for EMS services are calculated based on Medicare rates as approved in the County Code.	<ul style="list-style-type: none"> For a sample of transports, confirm that fees were calculated correctly
Harford County can rely upon the internal controls of the billing contractor to calculate bills and protect data	<ul style="list-style-type: none"> Review the Service Organization Controls report for QuickMed Claims Confirm that the related user controls have been implemented by the County Confirm that personal and private health information are not accessible on the billing company's user portal
Fee waivers are approved by the County Treasurer	<ul style="list-style-type: none"> For a sample of fee waivers, confirm documentation supports their review and approval by the Treasurer
EMS revenue is received timely	
Transport records are reviewed and forwarded to the billing company within days	<ul style="list-style-type: none"> Confirm transports have a Completed or Billed status in the medical records system
Payments are received by the County directly from payees and recorded by the billing company within days	<ul style="list-style-type: none"> Perform data analysis to confirm payments in the County's financial records were recorded in QMC's systems within 5 days
Receivables Aging is available and reviewed	<ul style="list-style-type: none"> Confirm aging reports are available from QMC Review the aging reports for reasonableness Review collection procedures with the billing company for adequacy
EMS Billing Contractor fees are paid correctly	
Monthly invoices are based on reports from QMC's billing system.	<ul style="list-style-type: none"> Reconcile invoices to contractor reports for each month
County employees review the QMC invoice before issuing payment.	<ul style="list-style-type: none"> Reconcile invoices to the revenue recorded in the County's financial system
Supplemental Medicaid invoices are supported by award letters from the State of Maryland	<ul style="list-style-type: none"> Reconcile annual invoices to relevant documents and County revenue

In a prior audit of this process, we noted that a system issue caused some transports to not be billed. Although that matter was addressed before this audit began, we considered the above audit procedures to confirm the completeness of transport billings. Areas for improvement are described in the Issues and Corrective Actions section of this report.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Report Distribution:		Audit Team:	
Mr. Richard Ayers, Director of Emergency Services		Chrystal Brooks	Brad DeLauder
Mr. Robert Sandlass, County Treasurer		CPA, CIA, CGAP, CISA, CGFM, CRMA	CPA, CIA
Ms. Haley Burk, QuickMed Claims		County Auditor	Senior Auditor

ⁱ Definitions

Effective: The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures, and guidelines. Business processes are managed effectively resulting in achievement of expected outcomes.

Generally Effective: The design and/or effectiveness of the internal control environment generally address key risks; however, the number and severity of findings relative to the size and scope of the business unit being audited indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

Not Effective: The design and/or effectiveness of the internal control environment does not address key risks. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.