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May 21, 1998

Barbara A. DeBuono, M.D., M.P.H.  
Commissioner  
Department of Health  
Corning Tower, Empire State Plaza  
Albany, NY 12237

Re: Report 96-F-47

Dear Dr. DeBuono:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of Roswell Park Cancer Institute (Institute), which is overseen by the Department of Health (Department), as of May 6, 1998, to implement the recommendations included in our audit report, *Roswell Park Cancer Institute Management of Patient Revenue* (Report 94-S-18). The report, which was issued on March 1, 1996, examined the Institute's ability to maximize patient revenue.

### **Background**

The Institute, located in Buffalo, New York, operates a 218-bed hospital and provides an array of outpatient services. In addition, the Institute conducts cancer research. During the fiscal year ended March 31, 1997, the Institute received \$83.9 million in patient revenue and \$54.6 million in contributions from New York State. According to the Institute's financial statements for the three State fiscal years ended March 31, 1997, patient accounts receivable decreased overall from \$16.8 million to \$15.4 million.

### **Summary Conclusions**

During our prior audit, we found that patient revenue could be increased and annual State subsidies decreased if certain changes were made in the Institute's billing and collection practices, especially in relation to treatment provided to patients from outside New York State.

In our follow-up review, we found that the Institute has made improvements in verifying patients' insurance coverage prior to admission and collecting prepayments from uninsured patients. They have also made some improvements in reconciling the Institute's accounts receivable records with records maintained by the office of the State Attorney General (AG) for accounts that were referred to the AG for collection. However, additional improvements are necessary to fully maximize patient

revenue.

### **Summary of Status of Prior Audit Recommendations**

Of the seven prior audit recommendations, we found that Institute officials fully implemented four recommendations, have partially implemented two recommendations, and have not implemented one recommendation.

### **Follow-up Observations**

#### **Recommendation 1**

*Comply with Institute policy regarding prepayments from foreign nationals.*

Status - Fully Implemented

Agency Action - Institute officials are following their patient payment policy of collecting a prepayment for those individuals, including foreign nationals, who have no verifiable insurance. If this condition cannot be met, guarantee of payment is arranged with the AG before the patient is admitted.

#### **Recommendation 2**

*Establish formal procedures to monitor prepayments against actual charges incurred by foreign nationals so that appropriate action can be taken as soon as charges exceed the prepayments.*

Status - Fully Implemented

Agency Action - Institute officials have established procedures for monitoring prepayments of all out-of-State patients. Monitoring is accomplished on a daily basis through the use of a computerized report on all out-of-State residents who are inpatients. Appropriate action is then taken by the Admissions staff to obtain the proper payments.

#### **Recommendation 3**

*Verify insurance coverage and Medicaid applications before admitting out-of-State residents.*

Status - Fully Implemented

Agency Action - Institute officials have established a formal procedure for verifying insurance coverage and Medicaid applications before admitting out-of-State residents. Our test of records for out-of-State patients confirmed that Institute staff are verifying insurance coverage and collecting appropriate deposits before they admit the patients.

**Recommendation 4**

*Develop clear policies concerning the admission of out-of-State residents, who do not have a means to pay for services.*

Status - Fully Implemented

Agency Action - Institute officials have modified their payment policy to include procedures for out-of-State residents who do not have the means to pay for services. These procedures are similar to those for residents and foreign nationals.

**Recommendation 5**

*Require patients with written-off accounts who are still unable to pay for services to apply for Medicaid before granting them readmission to the Institute.*

Status - Partially Implemented

Agency Action - Institute officials discuss and pursue the Medicaid option with patients during the admissions process. However, since patients cannot be forced to apply for Medicaid, the Institute's current patient payment policy still does not require patients who are unable to pay to apply for Medicaid before admission. Institute officials have developed a written procedure for monitoring inpatient accounts to identify inpatients who have had accounts that were previously written off. However, there is no written procedure for monitoring outpatient accounts to identify outpatients with previously-written-off accounts.

Auditors' Comments - Institute officials should develop written procedures for monitoring outpatient accounts to identify outpatients who have had accounts that were previously written off.

**Recommendation 6**

*Develop controls that identify coding errors during the initial data entry process.*

Status - Not Implemented

Agency Action - Institute officials have not developed controls that identify coding errors during the initial data entry process. They continue to prepare a suspended-transaction report that is forwarded to departments for correction. Institute officials state that the programming necessary to identify coding errors during data entry is not cost-effective. Institute officials did indicate that they are reviewing the possibility of a new billing system that will, among other things, have the ability to perform real-time edits at the point of entry.

Auditors' Comments - We reviewed the suspended-transaction report as of April 30, 1998. The report listed 231 errors in which the procedure code was not in the computer system's price directory - - 107 of these were more than a year old. A similar number of errors had been

identified during our prior audit. In the same audit, we also noted that the amount of additional revenue may not justify the time needed to correct these code errors. Therefore, Institute staff should, to the extent possible, minimize coding errors during the initial data entry process.

**Recommendation 7**

*Reconcile Institute records with Attorney General records.*

Status - Partially Implemented

Agency Action - Since our prior audit, attempts have been made to reconcile Institute records with records of the State Attorney General (AG). The discrepancy identified in that audit has been reduced from a difference of more than \$1 million, as of December 31, 1994, to approximately \$211,000, as of May 1, 1998. An AG official stated that he has recently received authorization for staff overtime to complete this reconciliation. Institute staff are also now downloading to a disk accounts that are referred to the AG for collections. The AG then uploads them to its computer. This new process should help eliminate errors.

Auditors' Comments - Institute officials should continue reconciling their records with those of the AG.

Major contributors to this report were Karen Bogucki, Marcia Petersen, Michael Wrobel, and Joanne Kavich.

We would appreciate your written response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of Roswell Park Cancer Institute for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Frank J. Houston  
Audit Director

cc: Robert L. King  
Dr. David Hohn