



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

February 3, 2009

Dr. Michael Butler, Acting Chief Executive Officer
Louisiana State University Health System –
Health Care Services Division
P.O. Box 91308
Baton Rouge, Louisiana 70821

Dear Dr. Butler:

As an integral part of the Single Audit of Louisiana, we are requesting that you provide our office with official responses relating to the enclosed reportable audit findings for your department. We have discussed these findings with management of the department. Please provide responses no later than February 17, 2009. The official responses should be on agency letterhead, addressed to Steve J. Theriot, CPA, Legislative Auditor, signed by an appropriate agency official, and should contain the following:

- ♦ A response for each finding in a separate letter.
- ♦ A reference to the finding by title, but please do not repeat the entire finding in your response.
- ♦ A statement as to whether you concur, concur in part, or do not concur with the individual finding and recommendation, and the reasons you concur in part or do not concur.
- ♦ A corrective action plan, including the status of action taken or action planned to correct the internal control weakness and/or finding of noncompliance, or a statement why corrective action is not necessary. Office of Management and Budget Circular A-133 requires the corrective action plan to include at a minimum the following:
 - the name(s) of the contact person(s) responsible for corrective action
 - the corrective action planned
 - and the anticipated completion date.

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If you do not agree with the audit findings or you believe corrective action is not required, then your corrective action plans should include an explanation and specific reasons.

Also, please do not fold or staple the responses as your responses may be included in the Single Audit Report of the State of Louisiana.

Please note that the enclosed findings are considered a draft and will not become a matter of public record until the audit is complete. Likewise, your responses to these findings are considered to be a part of our working papers and will not become a matter of public record until the audit is complete. We consider our draft findings and your responses to be a confidential record comprising a part of our working papers, until the audit is complete, at which time both items of information will become a matter of public record in accordance with Louisiana Revised Statutes 44:4(6) and 44:6.

Thank you for your cooperation in this matter. If you have any questions, please contact me at (225) 339-3916.

Sincerely,

A handwritten signature in black ink, appearing to read "Barrett Hunter", with a long horizontal line extending to the right.

Barrett Hunter, CPA
Audit Manager

**LSU HEALTH SYSTEM –
HEALTH CARE SERVICES DIVISION**

Inadequate Control Over Financial Class Determinations

For the fourth consecutive year, Earl K. Long Medical Center (EKLMC) failed to require and maintain adequate documentation to support "free-care" financial class determinations in accordance with Louisiana State University Health System - Health Care Services Division (LSUHS-HCSD) policy. In addition, EKLMC failed to maintain adequate supporting documentation for financial class changes.

LSUHS-HCSD Policy 1503-00 requires the hospital to gather supporting documentation as part of the screening process to make a financial class determination. If the patient/guarantor has no income, they are to provide a notarized statement indicating financial status witnessed by an individual not related to the patient/guarantor. In addition, LSUHS-HCSD policy requires that all admission forms, including screening documentation, be kept and maintained. LSUHS-HCSD Policy 2525-07 requires patients to provide supporting documentation to the hospital to support a "free-care" determination. If the patient does not have the information available at registration, he/she is allowed to pay a nonrefundable deposit and is allowed 10 days to provide the information to be evaluated for "free-care" eligibility.

In determining "free-care" eligibility, LSUHS-HCSD Policy 2525-07 defines a "family unit" as any group of individuals related by blood, marriage, adoption, or resident, whose income can be legally applied to the patient's medical expenses. The policy requires any family unit whose gross income is greater than two hundred percent (200%) of the Federal Poverty Income Guidelines to be responsible for the full amount of the charges for medical services. In addition, EKLMC's policy on financial class changes requires persons authorized to assign a financial class or change a financial class to verify all current and historical documentation to ensure the proper financial class assignment.

In a review of 24 "free-care" patient accounts, the following were noted:

- One (4%), who was an EKLMC employee, reported gross income greater than 200% of the Federal Poverty Income Guidelines.
- One (4%), who was an EKLMC employee, did not have income documentation to support the financial class determination. Income documentation was obtained from the Human Resources department, and the income documentation indicated that the employee's gross income was greater than 200% of the Federal Poverty Income Guidelines and the employee had health insurance.

This lack of adequate supporting documentation to support the "free-care" determination indicates these patients should have been classed as "self-pay" and received a bill, rather than being classed as "free-care" where no bill is generated.

In a review of 15 financial class changes, the following were noted:

- Two (13%) did not provide all of the required information to be evaluated as "free-care".

PRELIMINARY DRAFT

Report/Statements are subject to further review and revision. They are the results of preliminary observations and judgements. As such, they are not for publication and are considered confidential information until made public by the Legislative Auditor.

- One (7%) did not provide all of the required information to be evaluated as "free-care" within the allowable 10-day period.

These errors occurred because the hospital has not implemented adequate procedures to ensure compliance with system policies regarding the review and maintenance of supporting documentation for financial class determinations and financial class changes. Failure to require and maintain adequate documentation to support financial class determinations and changes subjects the hospital to noncompliance with LSUHS-HCSD policies and could cause improper billing of patient accounts and excess administrative time to detect and correct errors.

Management should implement procedures to ensure compliance with LSUHS-HCSD policies that require adequate supporting documentation be reviewed and maintained to support "free-care" financial class determinations. In addition, management should implement procedures to ensure compliance with their policy on financial class changes.

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**LSU HEALTH SYSTEM –
HEALTH CARE SERVICES DIVISION**

Inadequate Controls Over Patient Charges

For the second consecutive year, Earl K. Long Medical Center (EKLMC) incorrectly posted and billed medical charges on patient accounts and did not timely input charges in the billing system. Good accounting controls would require adequate supervision and review over input of patient charges to ensure accurate posting of charges and to prevent duplicate postings. In addition, good accounting controls would require that patient charges be input in the billing system within a standard billing cycle, usually 30 days, after the discharge of the patient.

The following were noted:

- One (8%) of 13 patient bills tested had duplicate patient charges totaling \$169.
- One (3%) of 35 patient bills tested was incorrectly billed as “free-care” totaling \$456.
- Three (6%) of 50 patient bills tested were overcharged totaling \$88.
- Thirty-seven (14%) of 258 patient charges were not posted timely in the billing system until 44 to 284 days after the date of discharge, for an average of 99 days.

These errors occurred because the hospital failed to implement adequate procedures to ensure all patient charges are accurately posted in the billing system in a timely manner. Failure to accurately input charges in the billing system in a timely manner could cause improper billing of patient accounts and excess administrative time to detect and correct errors.

Management of EKLMC should implement procedures to ensure all charges are accurately posted to the patients accounts within 30 days of the date of discharge of the patient.

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