Electronic Payer Deposits At Risk For Embezzlement

by Angela Morelock, CPA, CFE, ABV, CrFA, amorelock@bkd.com

The health care industry ranks fourth among all industries for cases of internal fraud based on the 2006 ACFE Report to the Nation on Occupational Fraud and Abuse published by the Association of Certified Fraud Examiners.

BKD Forensics & Dispute Consulting division has investigated numerous instances of embezzlement in health care organizations over the past 10 years and has found theft of incoming third-party payments to be particularly at risk for embezzlement. In the past, these schemes often involved stealing payer checks and writing off the related accounts receivable.

As the number of payers providing electronic deposit of remittances grew over the past several years, so did the comfort associated with the security of the electronic payments — after all, if the payment goes directly to the provider’s bank account, it’s more difficult to steal than a check that arrives by mail. However, those electronic deposits are not immune to embezzlement.

Recent fraud cases have demonstrated the susceptibility of electronic payments from third-party payers to re-routing—an employee contacts the third-party payer and changes the routing number and bank account number where the remittances are deposited. In cases where the employee is able to write off the related accounts, detection can be particularly difficult and losses can mount quickly.

We recently learned of a hospital that lost approximately $1 million in such a scheme, as a result of a temporary employee changing the routing number and bank account number with one major payer. We have seen other health care organizations fall victim to such schemes perpetrated by former employees doing the same thing.

While no one can fully explain why these issues have suddenly begun appearing over the last couple of years, one possibility is that employees have developed a better understanding of electronic payment systems as they have become part of our everyday lives. With understanding comes the ability to manipulate.

While electronic payments are likely still more secure than checks arriving in the mail, it is clear some re-thinking is needed to ensure sufficient controls exist related to electronic deposits from third-party payers.

Controlling electronic deposits

While many of the controls needed for electronic deposits are similar to those for normal bank deposits (such as controlling write-offs and having an awareness of customer complaints as...
President’s Message  by Dale Skagg

I want to begin my year as President by thanking the outgoing 2007–2008 officers. Many will be returning in different leadership roles, along with several new volunteers. Our chapter has grown very strong over the years thanks to a number of dedicated individuals and we plan to continue this trend. If you would like to get involved, please express your interest to any of the chapter leaders.

In the spring, a group of chapter leaders attended the Leadership Training Conference (LTC) in beautiful San Antonio, Texas where we received education and inspiring messages around “Making Connections,” this year’s theme. On the way home I was thinking about our time at LTC and the planning we did to ensure an outstanding year, when I realized that simplified HFMA is really about two things—education and networking (having fun). To that end, I am certain we are prepared for a great 2008–2009 chapter year. What goes on in San Antonio, stays in San Antonio!!!

Education: The Chapter’s education committee recently finished a very successful meeting in Louisville on July 17 and 18. Our upcoming meetings will continue to include several national speakers. The dates and locations for the next five meetings have been finalized; however, the agendas are still pending. This is your opportunity to recommend topics or speakers that you have an interest in. Due to the generous support of our sponsors, we have the ability to attract very prominent speakers and welcome your suggestions. Please email Andy Strausbaugh at andrew.strausbaugh@nortonhealthcare.org with your thoughts.

Networking: Again this year you will have plenty of time to visit with old friends and make some new ones during the breaks, at receptions, and entertainment events. I hope that each of you will take the time to reach out and “make the connections” that will benefit you both personally and professionally. Over the years I have developed some of my most treasured relationships through networking with fellow HFMA members. The entertainment committee has several networking events planned around education sessions. Please use this as a chance to get to know other KY HFMA members. You can share your thoughts for future networking events with Shawn Adams, Entertainment Chair at sdadams@bkd.com.

In closing, I want to encourage everyone to get involved, by volunteering, sharing your ideas, and attending meetings. After all, “the achievements of an organization are the combined efforts of each individual.” I look forward to serving the Chapter for the next several months. Please contact me if I can help you.

HFMA National’s On-line Membership Directory

Have you visited HFMA National’s On-line Membership Directory lately? Here’s the link: http://www.hfma.org/dual_login.cfm. When you select “HFMA Directory” not only can you search for members of your chapter, you can also search for all of your HFMA colleagues by name, company, and location — regardless of chapter! You may also view your current contact information and make edits to your profile, as well as view any products you have ordered, events you have registered for, your CPE credits, your Founders points, and more!

It is vital that HFMA has your correct information, so please take a moment to view your record now. By doing so, you will ensure that HFMA continues to provide you with valuable information and insights that further your success.
Electronic Payer Deposits At Risk For Embezzlement

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discussed below), there are some additional considerations related to electronic deposits:

Do you know which payers you should receive electronic deposits from and how often? If a particular electronic deposit did not show up in the bank account, would you miss it? Health care organizations should begin developing expectations related to electronic payer deposits so a missing deposit can be detected quickly.

What are the procedures in place at major third-party payers for changing the bank account for the electronic deposits? Ask that question of every major payer using electronic deposit and work with payers to control such changes.

If the bank account for electronic deposit from a payer were changed, how would you detect it? Some consideration should be given to confirming with major payers annually what account payments are being sent to.

Get to know your contractual accounts

Contractual accounts can easily become a “dumping ground” for fraud losses as receivables are written off to hide the theft of incoming third-party payer funds. Many cases of embezzlement in health care settings we have investigated over the last 10 years have involved hiding the fraud loss in the contractual accounts.

Contractual and other write-off accounts pose a risk to the health care industry because:

- The balance and percentage of these accounts compared to total revenue can vary dramatically as reimbursement rates change, making period-to-period comparisons difficult to use in finding comfort.

If sliding fee scales are offered, the risk increases dramatically, as the fee percentage collected from the patient can often be easily manipulated by employees.

While you may not be able to reconcile these accounts to supporting documentation on a daily basis, there are steps you can take to protect the integrity of contractual accounts and limit your risk.

First, make sure employees handling cash or checks cannot post adjustments, contractuals or other write-offs. Those posting payments should have absolutely no access to cash or checks.

Second, perform an analytical review of the contractual accounts on a regular basis by payer type and investigate dramatic changes. Remember, however, if you have a large volume, it will take a really big number to impact those percentages.

Third, test contractual and write-off accounts on at least a quarterly basis. Select healthy samples from the contractual accounts to trace to supporting documentation. Also, select a healthy sample of Explanation of Benefits (EOBs) and trace contractual amounts on the EOB to what actually got posted. It is important to test going both directions.

Fourth, establish proper approval procedures of write-offs not supported by EOBs or other supporting documentation that is readily available. While it may be fine to have an established de minimus amount that patient accounting can write off without further approval, items over that amount should be subjected to a review and approval process. Those approvals should be documented in writing.

Pay attention to patient complaints

Patient complaints are sometimes an early warning sign that’s often missed. Patients complaining about payments not being properly posted should be promptly investigated. These complaints should also be handled by someone other than the people handling the payments.

We have seen several cases where patient complaints were missed as a red flag, because the only person available for the patient to talk to was the one stealing the payments. Consider logging or recording patient complaints about payments.

If an employee who does not have the ability to write off accounts steals third-party funds, a complaint will ultimately develop as the outstanding patient balance continues to appear on monthly statements sent to patients. Pay close attention to any patient that indicates an outstanding balance was previously paid.

Reprinted with permission from BKD, LLP, this article first appeared in the June 2008 issue of BKD’s Health Care News, Vol. 26, No. 2.
CHAPTER Receives Three Helen M. Yerger Awards At ANI

About the Award
The Helen M. Yerger Award recognizes outstanding chapter performance in the categories of Collaboration, Education, Improvement, Innovation, Member Communication, Member Service, and Membership Recruitment and Retention.

The Kentucky Chapter was presented with three Helen M. Yerger Awards.

1. Our Corporate Sponsorship program improvements
2. Our Programs to bring members services to outlying areas
3. Membership marketing briefs with WKU

David Tate, President 2007–2008 accepted the award for us.

2007 Kentucky Founder Awards
Congratulations to the following members for receiving the following Founder awards:

- Robert (Bob) P. Barbier, CPA – GOLD
- Katherine W. Gilchrist, CPA – BRONZE
- Stephen (Steve) R. Price, Sr. – BRONZE
- Theresa Scholl – SILVER
- Andrew (Andy) N. Strausbaugh – BRONZE

Certified Healthcare Financial Professional (CHFP)
Congratulations to the following members for becoming certified in 2007:

- Mark A. Armstrong, CHFP in January
- Christina A. Henson DeYoung, CHFP in August
- Andrei Kholodov, CHFP in February
- Maggie Ratliff, CHPF in September

Member Spotlight On John Sass –
Vice President Compliance/Audit and System Privacy Officer Norton Healthcare, Inc.

John has been a member of HFMA for about 12 years. John and his wife Jenny were raised in Louisville, Kentucky and have three daughters. He attended the University of Dayton and has a MBA from Bellarmine University and is a CPA. John started working with Arthur Anderson in Dayton, Ohio. John left Arthur Anderson and moved back to Louisville and joined Humana where he worked approximately five years. While with Humana, John traveled to 20 different hospitals performing financial, operational and compliance audits. John left Humana and went to work with Norton Healthcare Inc. At Norton Healthcare, John has performed the audit function; various finance activities for Norton Hospital and currently oversee the compliance, audit and HIPAA privacy activities for Norton Healthcare, Inc. John has been with Norton Healthcare for the past 14 years. John enjoys his membership in HFMA and says that the networking opportunities are tremendous as well as the finance and compliance related programs. John enjoys how the programs are structured as you can attend the sessions that pertain to your specialty. John says that he enjoys the compliance challenges that continue to evolve in the healthcare industry.

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HFMA Summer Educational Institute

HFMA’s Summer Educational Institute was a great success. Over 130 attendees gathered for the day and a half institute held on July 17th and 18th at the Marriott in downtown Louisville.

The first day included a variety of local and national speakers and discussions ranging from current political trends to operations improvements. Senior Vice President of Kentucky Hospital Association, Nancy Galvagni, briefed attendees on the latest KHA initiatives and recent developments in State and Federal legislative. Mark McIntire, Vice President, and Michael Finnerty, Senior Vice President, of Kaufman Hall held a detailed session on the current capital market situation and some strategies that organizations can apply to address their financial challenges. Speakers Susan Kirchoff, Managing Consultant at BKD, and Julie Homan of 3M held detailed discussions on issues facing revenue specialists including RAC (Recovery Audit Contractor) Program and MS-DRG’s impact on reimbursement. Other speakers included Michael Glick of Blue & Co., LLC and Brendan Mullen.

Several sessions also focused on process improvements and internal controls, including Michael Puffe & Brad Slater from Stockamp & Associates, Inc. discussing patient flow; Jim Lacy, CFO at Zirmed, providing best practices on cash collections, and J.R. Thomas, President & CEO at MedSynergies, Inc., and Neil Pressman and Mary Ellen Kasey of Presscott Associates all focusing on revenue cycle strategies. Closing the session was Scott Grabowski of CSC Group and EMC discussing automated claims and AP processing.

The highlight of the session, despite her early morning appearance, was Jeanne Scott who provided an insider’s take on the current healthcare debate in the upcoming Presidential and Congressional election campaigns. As her lengthy resume details, Jeanne is one of the nation’s leading health care lobbyists and certainly brought her DC savvy humor to the issues during her entertaining and provocative presentation.

Overall, this summer session was well attended, including the evening social event as many gathered to watch the BATS play Charlotte.
Ten Things To Do When The RAC Comes Calling

By Bill Richburg, M.S., FHFMA
Director, Government Programs & Compliance
Accuro Healthcare Solutions

1. Enforce records completion. An irritated physician in your group or on your Medical Staff is a small price to pay compared to fines, interest, penalties and worse from CMS for billing undocumented services.

2. Have the staff ready and able to audit everything the RAC audits. They are supposed to document both under and over payments, but they only get paid for overpayments.

3. Appeal every decision the RAC makes, IF it is legitimately “appeal-able.” The RAC gets paid for identified overpayments even if they subsequently are reversed in your favor. So they have little to lose, and much to gain, by reporting anything they THINK might be an overpayment.

4. Be prepared to repay overpayments within 30 days to avoid interest charges. If you are appealing, pay the alleged overpayments in 30 days anyway, because you’ll owe LOTS of interest if you lose the appeal. If you win the appeal, CMS is required to pay you interest on the alleged overpayment amount.

5. Be certain you are using the Medicare Coverage Questionnaire on admission, to identify whether Medicare is secondary, as Medicare Secondary Payor is an integral component of the RAC audits.

6. Confirm you are up to date with Local Coverage Determinations (LCDs). If you use software for NCD/LCD screening on your outpatient claims, confirm your vendor keeps the LCD files current.

7. Provide Medical Records within 45 days after the RAC request. If you cannot, you must contact the RAC for an extension prior to the expiration of the 45 days. RACs MUST request medical records when there is a “high probability” (but not “certainty”) of an overpayment.

8. Assure you have records of all claims previously audited by a Carrier, FI, MAC, DMERC, Program Safeguard Contractor, OIG or QIO. RACs are not supposed to review ANY claim that already has been reviewed by another federal entity.

9. Change policies and practices to prevent future recurrence of overpayments the RAC identifies. If you have a “denials management” group, add this to their role. If not, create one.

10. And the toughest of all: Self-disclose BEFORE the RAC comes to visit, if you know you are being overpaid or underpaid. If you have access to software that can help in this process, use it on 100% of your claims. If not, select a statistically significant sample and extrapolate those results to your entire book of Medicare business.

The articles in Financial Scene often contain summaries of complex legal or accounting issues and may not cover all the “fine points” related to specific situations. Accordingly, they are not intended to be legal or accounting advice, which should always be obtained in direct consultation with a legal or accounting professional.
Welcome New Members

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