METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

OFFICE OF INTERNAL AUDIT

Professional Audit and Advisory Service

FINAL REPORT

Audit of the Nashville Hospital Authority's Revenue for the Period June 1, 2010 through May 31, 2011

Date Issued:
June 28, 2012

Office Location and Phone Number
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Nashville, Tennessee 37201
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The Office of Internal Audit is an independent audit agency reporting directly to the Metropolitan Nashville Audit Committee

EXECUTIVE SUMMARY
June 28, 2012

Results in Brief

The Metropolitan Nashville Office of Internal Audit performed an audit of the of the Metropolitan Nashville Hospital Authority's revenues. Key areas reviewed included:

- Charge Description Master maintenance procedures.
- Charity/Indigent Care revenue recognition.
- Prisoner/Inmate Care revenue recognition.
- Rental revenue.

Audit objectives and conclusions were as follows:

- *Were procedures for the Charge Description Master maintenance designed to ensure accurate billings*?

  Yes*. C*urrent maintenance procedures were found to be effectively designed and functioning as intended. Appropriate control mechanisms enhance billing correctness and properly support revenue integrity.

- *Were procedures and practices for the recognition of charity care revenue aligned with policies established in Nashville General Hospital's "Health Services Discounting and Charity Program"*?

  Generally yes. Although the current processes are working, there are several areas that can be enhanced to promote better operational and cost controls.

- Were *procedures and practices for the recognition of inmate care revenue supportive of contractual terms*?

  Generally yes*.* Inmate care as provide for federal and state inmates are appropriate. However, local inmate care, or those individuals housed within Davidson County jails require the development of additional controls.

Background and Recommendations

Gross Revenue Charges
June 1, 2010 through May 31, 2011

	Gross Charges (millions)
All Payors	$218.7
- Indigent/Charity	45.0
- Prisoner Care	26.8
- Rental Revenue	1.2

Key recommendations of this report include:

- Determine if providing medical services beyond what Nashville General Hospital can provide in-house is aligned with its operations strategy. If these services are no longer aligned with the operations strategy, then the Professional Services Agreement with Vanderbilt Medical Group should not be used going forward for services that cannot be provided by Nashville General Hospital.
- Revising policies and procedures to start screening local inmates for medical insurance coverage. If coverage is available, then begin billing non-indigent inmates for services they receive.
- Providing a conclusive definition of Davidson County resident.
- Eliminating the automatic eligibility provisions related to food stamps.

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INTRODUCTION

Audit Initiation

The performance audit of the Metropolitan Nashville Hospital Authority's revenue cycle was conducted as part of the approved 2011 Audit Work Plan. The audit was initiated based on the amount of monetary transfers the Metropolitan Nashville Hospital Authority receives from the Metropolitan Nashville Government.

Background

The Metropolitan Nashville Hospital Authority (herein referred to as the Hospital Authority) was formed by the Metropolitan Nashville Charter in 1999 to serve as the governing body tasked to oversee and operate Nashville General Hospital and Bordeaux Long-Term Care. Management of the Knowles Assisted Living and Adult Day Care Services was also transferred to the Hospital Authority in 2004.

Nashville General Hospital

Nashville General Hospital is a publicly supported, academically affiliated, community-based, and licensed hospital facility serving the needs of Nashville and Davidson County residents since 1890. The hospital has approximately 125 beds and serves as the primary teaching hospital for Meharry Medical College and also functions as a teaching site for Vanderbilt University. Nashville General Hospital is committed to providing excellent healthcare to all - regardless of age, race, creed, gender, sexual preference or ability to pay. As part of the hospital's goal of providing medical services regardless of financial ability, in-house financial counselors are available to help determine patient eligibility for indigent or charity care. The hospital provides a variety of medical, surgical, ambulatory, and specialized services.

Knowles Home

Knowles Home provides assisted living and adult day services within a compassionate environment that promotes a resident's independence and individuality. The facility provides three main types of services: (1) Assisted Living, (2) Adult Day Services, and (3) Home and Community Based Services.

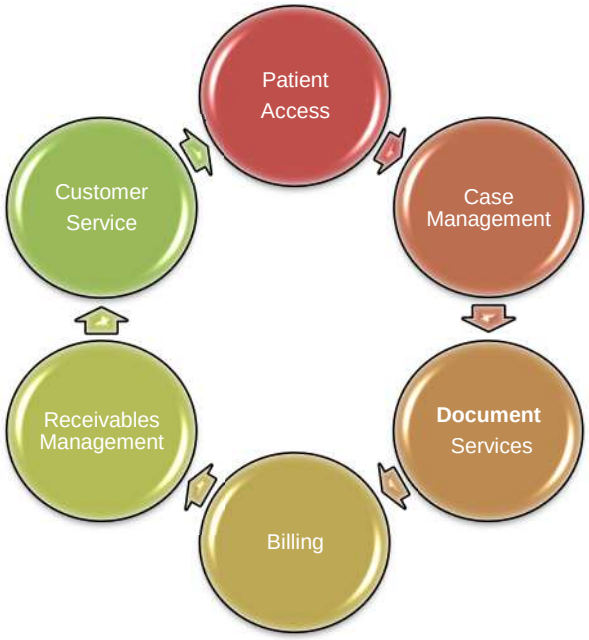
Bordeaux Long Term Care

Bordeaux is a 419 bed, long-term care facility and a regional leader in the provision of intermediate and skilled healthcare, rehabilitation therapy and palliative care. The facility provides four main types of services: (1) Intermediate Care, (2) Skilled Medical Care, (3) Rehabilitation Therapy, and (4) Ancillary Services.

Revenue Cycle

The Hospital Authority's overall revenue cycle can be subdivided into three generalized activities, broadly described as: (1) patient access, (2) billing, and (3) receivables management.

Exhibit A – Hospital Revenue Cycle



The initial patient access process includes: screening the patient, pre-registration, financial consultation, registration, and case management. The billing activities include the proper documentation of services, accurate patient access records, determination of billable services and ensuring that all services are accurately coded. The hospital's Charge Description Master, also referred to as the *chargemaster*, contains billing and/or charge amounts, descriptions and unique identifier codes for each service, procedure or supply. The chargemaster must be updated on a continuing basis. Billing adjustments must be performed based on contractually agreed rates with health care *payors* (insurance companies, HMOs, TennCare, legal entities, etc. that are responsible for health care payments). The final section of the revenue cycle, receivables management, involves various collection activities and customer interactions.

Because of the breadth of the Hospital Authority's operational activities, the scope for this audit was specifically limited to the following matters:

- The Bordeaux and Kindred sublease contract.
- Charge Description Master maintenance procedures.
- Charity/Indigent Care charge recognition processes.
- Prisoner/Inmate Care processes.

Financial Information

Exhibit B provides gross revenue charge figures from Nashville General Hospital's operation for the period June 1, 2010, through May 31, 2011. The annual subsidy provided by the Metropolitan Nashville Government is used in-lieu of revenues associated with indigent/charity care.

Amerigroup, Americhoice, and TennCare Select are Middle Tennessee TennCare managed care organizations that collectively represent the largest revenue stream for the hospital. Self-pay represents uninsured individuals whom are ineligible for any federal or state supported programs; this group of payors carries the greatest risk of default and collectability; for the audit period evaluated, self-pay accounts written off amounted to $25.8 million.

Exhibit B – Nashville General Hospital Gross Charges June 1, 2010, through May 31, 2011, Classified by Payor

Payor	Total Charges
Nashville Indigent / Charity	$ 45,073,004
Amerigroup	33,081,280
Self-Pay	31,032,231
Prisoners[1]	21,020,090
Americhoice	20,280,713
Medicare	17,258,382
Medicare HMO	12,417,250
Metro Liable / IOD[2]	8,741,397
Pending TennCare	6,547,216
BlueCross	5,638,432
State/Federal Agency	5,288,024
Tenncare Select	4,136,989
HMO/PPO	4,103,221
Commercial Insurance	2,657,990
Workman's Compensation	658,339
BlueCare	508,206
TriCare	247,260
ChampVA	10,868
Medicaid	8,185
Total Gross Charges	**$218,709,078**

Source: Nashville General Hospital Revenue Cycle Office; amounts shown prior to adjustments or allowances as of December 19, 2011.

[1] cumulative total for federal and state inmate care
[2] includes local prisoner care

Organizational Structure

Exhibit C – Bordeaux Long Term Care and Knowles Home Revenue Cycle Team

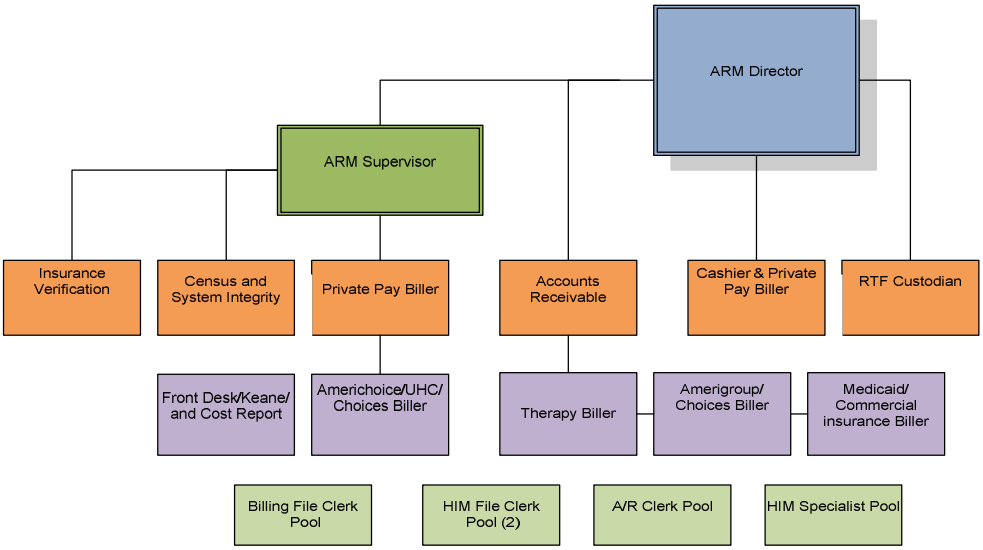
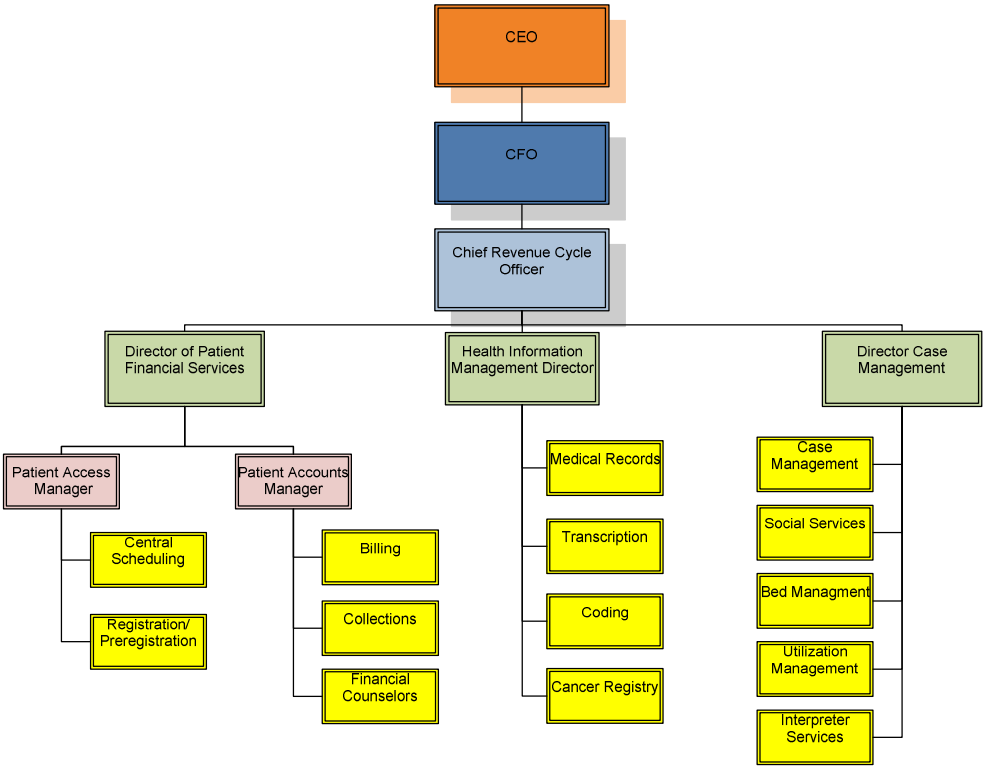


Exhibit D – Nashville General Hospital Revenue Team



OBJECTIVES AND CONCLUSIONS

1. *Were procedures for the Charge Description Master maintenance designed to ensure accurate billings*?

Yes. *C*urrent maintenance procedures were found to be effectively designed and functioning as intended. Appropriate control mechanisms enhance billing correctness and properly support revenue integrity.

The review results noted the following positive attributes:

- Process used to establish prices follow standardized policies.
- Submissions for changes to the chargemaster were limited to appropriate department personnel.
- Update rights to the charge master table was limited to the Director of Patient Financial Services.
- Turnaround times for new procedure pricing determinations, averaged three days, were expedient and appear to be in line with business needs.

Nashville General Hospital, on an annual basis, sends the entire charge master table for a third party review.

Furthermore Nashville General Hospital, on an annual basis, sends the entire chargemaster table for a third party review that performs a comparative pricing analysis based on geography. This process results in adjusting underpriced and overpriced procedures to keep them in line with prices of competing area hospitals. Independent evaluation of current rates is a commendable proactive practice that provides better prices for all parties concerned.

2. *Were procedures and practices for the recognition of charity care revenue aligned with policies established in Nashville General Hospital's "Health Services Discounting and Charity Program"*?

Generally yes. Nashville General Hospital has in place a *"Health Services Discounting and Charity Program"* that fully describes its discounting of uninsured, charity and indigent discount programs. Incoming patients were thoroughly assessed for their assignment to the applicable discounting program which can range from a 20 percent discount for self-pay uninsured patients to 100 percent for indigent patients. The policy was last updated in January 2010 and meets Tennessee Code Annotated § 68-11-262 requirements. All charges and costs are accumulated as with any other patient.

Management of the charity care program, specifically the development of policies and procedures, comparative analysis of those policies and procedures, ascertaining the equitable provision of charity care, and the consistent classification of transactions for accounting purposes were reviewed. Although the processes were working, there were several areas that can be enhanced to promote better operational and cost controls.

Foremost in the area of cost control is evaluating the need for continuation the *Professional Services Agreement* for patient transfers to Vanderbilt University Medical Center. The agreement between the Hospital Authority and Vanderbilt Medical Group was entered into on July 1, 2001, and last modified on October 1, 2007. The agreement provides for Nashville General Hospital's reimbursement to Vanderbilt Medical Group for medical services that cannot be provided at Nashville General Hospital. Payment is required within 30 days of submitted claim. Nashville General Hospital receives a 45 percent discount off "normal and customary charges" (see Observation A).

Comparative evaluation of charity care policies and substantive reviews of applicant files indicated the hospital can benefit in the charity care program from:

- Providing a conclusive definition of what constitutes a transient and/or a resident of Davidson County (see Observation B).
- Eliminating or modifying current policies that provide an automatic eligibility for charity care for food stamp recipients (see Observation B).

3. Were *procedures and practices for the recognition of inmate care revenue supportive of contractual terms*?

Generally yes*.* Recognition of inmate care as provide for federal and inmates from the State of Tennessee prison system was found to be appropriate and operating in accordance with contractual stipulations. Medical care for federal and state inmates, primarily through a Hospital Services Agreement with Corizon Incorporated, resulted in combined gross revenues totaling $18.9 million for the audit period assessed. Exhibit G on the next page provides a summary of revenues from inmate care activities.

However, recognition for local inmate care, or those individuals housed within Davidson County jails, is not as efficient. For the audit period assessed, Metro Nashville subsidized local inmate care totaling gross charges of approximately $7.9 million[3]. Since Nashville General Hospital categorizes all local inmates as indigent, no payment of any kind is received from the inmate and no assessment for ability to pay is performed. Operational improvements can be instituted within this program that will help the overall control structure and provide avenues for cost savings as well as the possibility of recovering lost revenues (see Observation C).

Improvement in operational performance can be realized by:

[3] The Metro Nashville annual budget ordinance historically has allocated the sum of $3,600,000 for the provision of inmate health care. These funds will be used exclusively at Nashville General Hospital to purchase health care for inmates in the care and custody of the Sheriff.

- Developing a comprehensive policy that addresses and outlines procedures on handling inmate care.
- Screening inmates for insurance coverage.
- Billing inmates for medical services they receive.

Exhibit G – Prisoner Care Revenue June 1, 2010, through May 31, 2011

	Cases	Gross Revenue
Woodland Hills	49	$ 90,049
Corrections Corporation of America	158	1,200,960
US Marshall's Office	3	108,971
South Central Correctional	12	10,893
Corizon, Inc.	1,186	17,547,308
Miscellaneous Prisoners	8	24,842
Total State and Federal Prisoners	**1,416**	**$18,983,022**
Correctional Development Center - Females	164	$1,130,050
Correctional Development Center - Males	113	581,063
Hill Detention Center	54	452,393
Criminal Justice Center	1,448	5,609,163
Juvenile Court	98	86,551
Total Local Prisoners	**1,877**	**$7,859,220**

Source: Nashville General Hospital Revenue Cycle Office

4. *Were billings for rental agreement between Bordeaux Long term Care and Kindred Long term Acute Care Hospital complete and accurate?*

Yes. Billings were found to be materially complete and accurate for the four months reviewed. However, recalculations revealed minor variances for Dietitian and Physical Therapy services which resulted in a net under billing of $228. The aggregate amount was considered immaterial for the purposes of the review and no other items were noted. The table below provides a summary of revenues for the rental agreement.

Exhibit E – Rental Agreement Revenues June 1, 2010, through May 31, 2011

Revenue Summary	
Fixed Component	$ 608,548
Variable Component	645,666
Total Revenues	**$1,254,214**

Source: Bordeaux Long Term Care Accounts and Records Management Department

OBSERVATIONS AND RECOMMENDATIONS

A – Professional Services Agreement Presents a Substantial Liability

The Professional Services Agreement with Vanderbilt Medical Group has escalated to almost $1.8 million in annual payments, all at a time when Nashville General Hospital runs a significant deficit. The agreement was intended to ensure indigent patients receive continuity of healthcare services, when more extensive treatment, beyond what Nashville General Hospital can offer, is needed. Appendix B provides a timeline of events relevant to the Management Services Agreement that furnished executive management to Nashville General Hospital and the aforementioned Professional Services Agreement.

It should not be unreasonable to expect that referred patients to Vanderbilt University Medical Center be screened and admitted by the receiving facility, using their own charity care policies.

The initial principle for the agreement provided meaningful substance and a patient focused reason for its existence. However, a major drawback of the referral agreement is the stipulation that makes Nashville General Hospital financially liable to Vanderbilt Medical Group for services provided to those referred patients. Payments for services provided to indigents are due within 30 days. Although Nashville General Hospital receives a 45 percent discount from the normally billed prices of services rendered by Vanderbilt Medical Group, this payment arrangement appears to be atypical in metropolitan healthcare settings where tax exempt, not-for-profit organizations, normally share in the financial burden of caring for the indigent population. Vanderbilt University Medical Center does provide charity care to the medically indigent who present themselves there directly. However, if the indigent patient first presents at Nashville General Hospital and is thereafter referred to Vanderbilt University Medical Center for treatment, then Nashville General Hospital is financially liable for payment.

It should not be unreasonable to expect that referred patients to Vanderbilt University Medical Center be screened and admitted by the receiving facility, using their own charity care policies. In the case of occasional referrals to other area hospitals (Saint-Thomas, etc.), Nashville General Hospital assumes no such liability. Nashville General Hospital should be responsible and financially liable for only those services that it can itself provide.

Exhibit F on the next page shows the annual payments to Vanderbilt Medical Group. The data indicates an escalating trend in annual monetary outlays increasing from $625 thousand in 2008 to $1.8 million in 2011. The annual total represents a substantial outlay and burden to Nashville General Hospital's limited financial resources.

Exhibit F – Schedule of Payments to Vanderbilt Medical Group

Physician Billing Summary					
	2008	**2009**	**2010**	**2011**	**Totals**
Number of Payments for Physician Billings	301	423	567	764	2183
Total Dollar Amounts for Physician Billings ($)	175,343	289,060	349,888	578,597	1,532,728
Average Dollar Payment for Physician Billings ($)	583	683	617	757	702
Hospital Billing Summary					
	2008	**2009**	**2010**	**2011**	**Totals**
Number of Payments for Hospital Billings	82	179	246	287	877
Total Dollar Amounts for Hospital Billings ($)	450,102	733,340	1,209,789	1,281,001	4,055,552
Average Dollar Payments for Hospital Billings ($)	5,489	4,097	4,918	4,463	4,624

Source: Nashville General Hospital Finance Department

Criteria

- Professional Services Agreement Between the Metropolitan Nashville Hospital Authority d/b/a Nashville General Hospital and Vanderbilt Medical Group and its Affiliates
- Prudent business practice

Risk

Continuation of the agreement will result in increasing annual financial burden to Nashville General Hospital.

Recommendation

The management of the Hospital Authority should determine if providing medical services beyond what Nashville General Hospital can provide in-house is aligned with its operations strategy. If these services are no longer aligned with the operations strategy, then the Professional Services Agreement with Vanderbilt Medical Group should not be used going forward for services that cannot be provided by Nashville General Hospital.

B – Enhance Charity Care Policies

Nashville General Hospital's current charity care policies, although fairly detailed and robust when benchmarked against other healthcare facilities, have two weaknesses that can be strengthened. Enhancing controls in these areas can result in efficient operations as well as the possibility of better cost controls.

Providing a Conclusive Definition of Davidson County Resident

The first issue pertains to defining charity care eligibility and what constitutes a "transient" or a Davidson County "resident". This issue became apparent during the course of reviewing the file of an applicant that was initially denied charity care eligibility. The initial reason for denial was because the stated domicile of the applicant was located in Sumner County. A month after the denial, the applicant moved into a Davidson County motel, reapplied for eligibility, and was subsequently approved. Once accepted into the indigent program, the applicant proceeded to utilize over $300,000 of medical services. This case was one of 112 charity cases sampled for review during the audit. Over 4,000 cases of charity care were ongoing during the one year audit scope.

A month after the denial, the applicant moved into a Davidson County motel, reapplied for eligibility, and was subsequently approved.

This case occurred primarily because the current policies are not conclusively clear as to the definition of what a "resident" or a "transient" is. The current understanding of the residence requirement is based on the principle of "intent", or the applicant showing "intent" to reside in Davidson County. Intent under this concept is difficult to assess, there is therefore a need to provide a conclusive definition of what a "transient" or a "resident" is. Defining one or the other term will help enhance internal controls in this area and will also help reserve allotted funds to Davidson County indigents.

The Tennessee Code Annotated § 2-2-122 pertaining to voter registration and voter eligibility, provides solid guidance on residence determination that could be the basis for a conclusive definition of what constitutes a legitimate Davidson County resident for Metro Nashville General Hospital.

Eliminating the Automatic Provision for Food Stamp Recipients

The second issue deals with policy statements that automatically provide applicants receiving food stamps 100 percent charity care coverage; regardless of whether that applicant is only receiving partial or full eligibility to the Department of Human Services' food stamp program.

The Tennessee Department of Human Services determines food stamp eligibility by accounting for a variety of factors such as income, expenses, household size, and others. Eligibility is granted on a sliding scale, tiered basis. Therefore, it is not uncommon to see relatively moderate income individuals receiving partial food stamp allotments. In a period of diminished budgets and reduced governmental revenues, it may be prudent to remove the automatic eligibility clause and explore the possibility of providing the charity care program on a similar sliding scale. In addition, removing the automatic eligibility allows the hospital to evaluate each applicant on each individual merit and eliminate the reliance on another agency's evaluative methods and criteria.

Criteria

- Nashville General Hospital Policy HW – 450 - *Health Services and Charity Discounting Program*
- Tennessee Code Annotated § 2-2-122 – *Principles for Determining Residence – Factors Involved*
- Prudent business practice

Risk

Providing free health care to non-residents or to patients with some financial resources restricts the ability of Nashville General Hospital to provide needed healthcare to legitimate indigent population of Davidson County.

Recommendation

The management of the Hospital Authority should revise current policies for the Health Services and Charity Discounting Program by:

1) Providing a conclusive definition of Davidson County resident.
2) Eliminating the automatic eligibility provisions related to food stamps.

C – Develop Formalized Protocols for Handling Local Inmate Care

There was an absence of defined policies and procedures that outline the handling of local inmates with respect to financial transactions. Management has indicated inmates have been traditionally handled under the assumption that Metro Nashville was fully liable for the cost of medical services the inmates receive. The facility treats all local inmates free of charge and factors the cost of the services into the subsidy received from Metro Nashville; this practice has been conducted since the inception of the Nashville Hospital Authority in 1991. However, after reviewing the resolution delineating the creation of the Nashville Hospital Authority and their responsibilities, any reference which specifically stated that Metro Nashville or Nashville General Hospital is financially responsible for the costs could not be found.

Nashville's Department of Law indicated that the language does not preclude Nashville General Hospital, at the very least, from screening these inmates for current medical insurance coverage.

Section 6 of Substitute Resolution SR99-1410 specifically stated that, "The Hospital Authority shall provide medical treatment to inmates incarcerated in Davidson County who are admitted at MNGH, for whom the Metropolitan Government has responsibility to provide medical care." The statement is silent as it pertains to financial responsibility and does not exclude the fact that inmates themselves, especially those who have the ability to pay, can be held responsible for the cost of medical care they receive. Additional research on this matter and legal opinion from within Metro Nashville's Department of Law indicated that the language does not preclude Nashville General Hospital, at the very

least, from screening these inmates for current medical insurance coverage or continuing Consolidated Omnibus Budget Reconciliation Act (COBRA) medical coverage from a recent employer.

Additionally, guidance provided by the County Technical Assistance Service of the University of Tennessee Institute for Public Service stated that providing medical care does not necessarily include payment for the treatment. They further added that:

> *"The County is permitted to collect from a non-indigent inmate housed in the county jail the cost of providing needed medical or dental care. If the inmate is indigent, the responsibility for payment is a matter to be decided between the county and the medical provider. The county may attempt to recover the costs from the prisoner after the prisoner is released from jail. Op. Tenn. Atty. Gen. 95-095 (9/15/95). The county cannot, however, require the prisoner to serve a longer sentence to pay the medical costs. Op. Tenn. Atty. Gen. U90-37 (1/1/90)."*

County prisoners are frequently misdemeanor violations whose incarceration is generally less than 365 days. It is not beyond the realm of possibilities that some of these inmates have the following:

- Jobs prior to incarceration and have current healthcare coverage.
- Available continuation of healthcare coverage through the Consolidated Omnibus Budget Reconciliation Act.
- Medical insurance coverage from their spouses.
- Military veteran's benefits (service connected disabilities).
- Military retirement benefits – which are payable regardless of whether the retiree is an inmate or not.

All of these, and other options, could be used to cover some or most of their medical expenses. In order to determine if these options are available the inmates must be processed at the point of entry, going through the same admission process as all other patients. Without the admission process Nashville General Hospital has no way of determining the existence of alternative payment options.

Finally, Tennessee Code Annotated § 41-4-115 - *Medical care of prisoners* also provides definitive guidance on handling inmate medical care and the possibility of billing these inmates directly. A brief survey of other cities throughout the country indicates that other municipalities are collecting for medical services provided to local inmates.

Criteria

- County Technical Assistance Service, University of Tennessee Institute for Public Service – *Who Pays The Medical Bills For Inmates In The County Jail?*

- Tennessee Code Annotated § 41-4-115 – *Medical care of prisoners*
- Prudent business practice

Risks

- Providing absolute free healthcare to local inmates restricts the ability of Nashville General Hospital to provide needed healthcare to legitimate indigent population of Davidson County.
- Unrealized revenues may exist if the admission process is not conducted.

Recommendations

The management of the Hospital Authority should revise existing policies and procedures to start screening local inmates, through the normal admission process, for medical insurance coverage. If coverage is available, then begin billing non-indigent inmates for services they receive.

GENERAL AUDIT INFORMATION

Statement of Compliance with GAGAS

This audit was conducted from June 2011 to April 2012, 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 observations and conclusions based on our audit objectives.

We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Scope and Methodology

The audit period focused primarily on the period June 1, 2010, through May 31, 2011. The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, conducting interviews, observations, performing substantive tests and tests of internal controls on the entity's financial information, written policies and procedures, contracts and other relevant data.

Criteria

In conducting this audit, the existing processes were evaluated for compliance with:

- Nashville General Hospital Policy HW – 450 - *Health Services and Charity Discounting Program*
- Tennessee Code Annotated § 2-2-122 – *Principles for Determining Residence – Factors Involved*
- Tennessee Code Annotated § 41-4-115 – *Medical Care of Prisoners*
- County Technical Assistance Service, University of Tennessee Institute for Public Service – *Who Pays The Medical Bills For Inmates In The County Jail?*
- Professional Services Agreement Between the Metropolitan Nashville Hospital Authority d/b/a Nashville General Hospital and Vanderbilt Medical Group and its Affiliates
- Prudent Business Practice

Staff Acknowledgement

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APPENDIX A. PATIENT REFERRAL HISTORY

Shortly after inception, the Hospital Authority and Vanderbilt University enter into a Management Services Agreement which requires Vanderbilt University to provide executive staffing for Nashville General Hospital (NGH).

Metropolitan Nashville Hospital Authority

Nashville Hospital Authority was created

.

Under the management of the executive staff from Vanderbilt, NGH enters into a Professional Services Agreement with Vanderbilt. The agreement effectively leaves financial responsibility of referred patients to Nashville General Hospital

Professional Services Agreement was amended.

Management Services Agreement expires, NGH does not renew the contract. Professional Services Agreement remain in place.

1999 **2001** **2007** **December 2011**

APPENDIX B. MANAGEMENT RESPONSES

- Management's Responses Starts on Next Page -

Metropolitan
Nashville Hospital Authority

Nashville General Hospital at Meharry | Knowles Home Assisted Living & Adult Day Services | Bordeaux Long-Term Care

June 26, 2012

Mark Swann
Metropolitan Auditor
Office of Internal Audit
222 3rd Avenue North, Suite 401
Nashville, TN 37201

Dear Mr. Swann:

This letter is to acknowledge receipt of the Audit report entitled Audit of the Nashville Hospital Authority's Revenue for Period 6/1/10 – 5/31/11, which was conducted by the Office of Internal Audit.

We have reviewed the audit report. Attached please find our responses to your recommendations. This audit will serve as a valuable instrument and management tool in helping the Hospital Authority reach its goals.

Sincerely,

Jason E. Boyd, FACHE
Chief Executive Officer

/rlc

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we care for YOU. for life.

Metropolitan Nashville Hospital Authority
Management Response to Audit Recommendations – June 2012

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
A. The management of the Hospital Authority should determine if providing medical services beyond what Nashville General Hospital can provide in-house is aligned with its operations strategy. If these services are no longer aligned with the operations strategy, then the Professional Services Agreement with Vanderbilt Medical Group should not be used going forward for services that cannot be provided by Nashville General Hospital.	***Reject -*** The decision to discontinue the referral/payment for services for Nashville Indigent Patients which can not be provided at Nashville General Hospital is a Board Decision. The Hospital Authority Board has directed management at this time to renegotiate the terms of the agreement with Vanderbilt in an effort to decrease the cost of this service as an alternative to discontinuation. Renegotiations are currently in progress	Jason Boyd, CEO	08-01-2012
B. The management of the Hospital Authority should revise current policies for the Health Services and Charity Discounting Program by: 1) Providing a conclusive definition of Davidson County resident. 2) Eliminating the automatic eligibility provisions related to food stamps.	***Partially Accept –*** 1) NGH's current Charity and Discounting Policy requires applicants to be Davidson County residents and indicates that Tennessee residency requirements are to be utilized in establishing proof of residency. In an effort to provide clarity the specific statutory reference which was recommended regarding voter registration eligibility will be added to the policy. As long as the individual can provide the two required documents, they will be considered a resident. The statue specifically states that a person may be a resident of a place regardless of the "nature of the person's habitation" – homeless individuals are even able to utilize a shelters address. Our policy currently allows for an advocacy team to review any questionable cases. If a financial counselor believes an individual may not truly be a resident, the case can be forwarded to this group for review and a signed affidavit may be requested. 2) The current standards for maximum food stamp eligibility are more stringent than NGH requirements; therefore we will continue to allow patients to qualify financially using these criteria. In an effort to improve clarity around this eligibility requirement, The Charity and Discounting Policy has been modified to specify applicants must	Martha Lampley, CRCO	07-01-2012

Report Item and Description	Response to Recommendation / Action Plan	Assigned Responsibility	Estimated Completion
	provide proof of maximum eligibility for this requirement to be met.		
C. The management of the Hospital Authority should revise existing policies and procedures to start screening local inmates, through the normal admission process, for medical insurance coverage. If coverage is available, then begin billing non-indigent inmates for services they receive.	***Partially Accept*** - Inmates detained by the local government are not included in our financial reports as Charity Care, but are captured as a metro liable. Nashville General Hospital has begun screening inmates detained by the local government for medical insurance coverage; to date, no eligibility has been established, but if identified this will be billed. Since it will not be possible for this group of individuals to comply with the document requests required to substantiate eligibility for the charity program, the patients will be billed as self pay to the address provided by the city jail and will be turned over to collections for nonpayment according to our current policies. Procedures will be updated as required to implement new processes.	Martha Lampley, CRCO	08-01-2012