STATE OF LOUISIANA
LEGISLATIVE AUDITOR

Earl K. Long Medical Center
Louisiana Health Care Authority
State of Louisiana
Baton Rouge, Louisiana

July 23, 1997

Financial and Compliance Audit Division

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Legislative Auditor

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EARL K. LONG MEDICAL CENTER
LOUISIANA HEALTH CARE AUTHORITY
STATE OF LOUISIANA

Baton Rouge, Louisiana

Management Letter
Dated June 25, 1997

July 23, 1997

OFFICE OF
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June 25, 1997

EARL K. LONG MEDICAL CENTER
LOUISIANA HEALTH CARE AUTHORITY
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Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1997, we conducted certain procedures at Earl K. Long Medical Center. Our procedures included (1) a review of the medical center's internal control structure; (2) tests of financial transactions for the years ending June 30, 1997, and June 30, 1996; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior report recommendations.

The Annual Fiscal Reports of Earl K. Long Medical Center are not within the scope of our work, and, accordingly, we offer no form of assurance on those reports. The medical center's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and selected medical center personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

In our prior audit of Earl K. Long Medical Center for the year ended June 30, 1995, we reported findings relating to transfers to bad debt, patient billing, patient screening, cash receipts, record retention, movable property records, and excess movable property. All of the findings except for transfers to bad debt and patient billing have been resolved by management. The findings relating to patient billing, including transfers to bad debt, are addressed again in this report.

Based upon the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Patient Billing Weaknesses

For the second consecutive audit, Earl K. Long Medical Center has not maintained adequate controls over patient billing to ensure complete, accurate, and timely billing of patient charges, including transfers to bad debt. An adequate control structure should provide for policies and procedures to ensure that financial data for services rendered is

recorded timely and accurately, that patient accounts are properly billed, and transfers to bad debts are made in a timely manner. Our review of the patient billing functions disclosed the following:

1. Of 60 patient accounts examined in our test of patient billing:

   - Two (3 percent) had duplicate charges posted to the accounts.
   - Four (6 percent) had charges posted incorrectly as another charge.
   - Four (6 percent) had incomplete charge slips so we could not determine the type of charge that should have been billed.
   - Seven (11 percent) had one or more charges listed on the charge slip that were not posted to the patient's account.
   - Thirty-two (53 percent) had charges input anywhere from two to ten months after the date of service.

2. In a separate test of medical records, we expanded our work on 12 of the accounts noted previously, and found that 8 (67 percent) had one or more services documented in the medical record, but no corresponding charge on the patient's bill.

3. Of 24 patient accounts tested in our test of transfers to bad debt, we noted the following:

   - Twenty-two of the 24 initial patient bills were generated from 15 days to one-year after the date of discharge. The medical center's goal and system profile is to generate initial patient bills within 10 days after discharge.
   - The 24 accounts tested were transferred to bad debt for collection between 5 and 13 months after the date of discharge.
   - None of the patient accounts tested followed the billing profile for the designated financial class. The established computerized billing profile should bill accounts in specific manners depending upon each account's designated financial class; i.e. Medicaid, Medicare, free care, third party, and others.

- One financial class change was not posted until three months after the financial class determination and notification, which prevented the account from being billed timely. This account was holding for Medical Assistance Program eligibility determination. The screening department received notification of eligibility, but did not post the account until three months later.

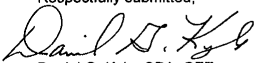
These weaknesses resulted from the lack of comprehensive policies and procedures relating to the patient billing function, along with the lack of management oversight and review, and a large work load in the billing section. These weaknesses could result in revenue losses, untimely delays in patient billing, and inappropriate transfers to bad debt.

Management should review the patient billing function and adopt policies and procedures to ensure complete, accurate, and timely billing of patient charges, including transfers to bad debt. In addition, management should establish a committee to perform ongoing reviews of medical records and patient bills to ensure that all services rendered are posted to the patient bills. In a letter dated June 4, 1997, Ms. Sue Tolbert, Acting Chief Financial Officer, concurred with the finding and outlined corrective actions.

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the medical center. The nature of the recommendation, its implementation costs, and its potential impact on operations of the medical center should be considered in reaching decisions on courses of action.

By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



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