



Internal Audit

Taylor Health and Wellness Center

October 16, 2015

Office of Internal Audit



Missouri State[™]

U N I V E R S I T Y

DATE: October 16, 2015

TO: Dr. Frederick D. Muegge, Director of Health and Wellness

FROM: Donna Christian, Director of Internal Audit and Compliance
Jane Dewberry, Senior Internal Auditor

CC: Dr. Dee Siscoe, Vice President for Student Affairs
Steve Foucart, Chief Financial Officer
Clifton M. Smart III, University President

RE: INTERNAL AUDIT: TAYLOR HEALTH AND WELLNESS CENTER

BACKGROUND

Taylor Health and Wellness Center is dedicated to providing quality health and preventive care at minimum cost to the University community. To ensure quality, Taylor Health and Wellness Center is accredited by the Accreditation Association for Ambulatory Health Care (AAAHC) and the Commission on Office Laboratory Accreditation (COLA).

Dr. Frederick D. Muegge serves as the Director of Taylor Health and Wellness, overseeing a staff of 6 physicians, a full-time pharmacist, a nurse practitioner, and numerous other medical and professional staff.

Taylor serves the entire campus community. A prepaid health fee covers the cost of basic office visits for students of Missouri State University. Faculty, staff, retirees, and their household members pay a nominal fee for office visits. Additional charges are assessed for the following professional services for all patients: extended office visits, physical examinations, laboratory tests, x-rays, procedures, prescription and over-the-counter medications, specialists' appointments, etc.

Services received at Taylor can be paid for that day at the Taylor business office or can be charged to the individual's University account. Charges are transferred from Taylor's medical practice management system to the University's Banner accounting system via an electronic daily upload or manual posting to Banner. Individuals are responsible for the entire amount of charges with any insurance reimbursements received by the University being credited to their account.

Financial statements and data on the number of office visits is presented at the end of this report.

OBJECTIVE AND SCOPE

The objective of this audit was to review procedures and controls in place at Taylor Health and Wellness Center, analyze various financial and statistical data for Taylor Health and Wellness Center for periods from January 1, 2010 through June 30, 2015, and to determine the financial impact of the employee benefit change on Taylor Health and Wellness Center and the University's employee benefit plan.

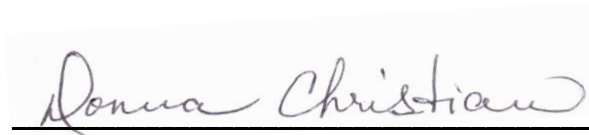
Medical plan data obtained from Med-Pay, Inc., the University's medical plan administrator, for calendar years 2010 (base year before the benefit change), 2011 (first year of the benefit change), 2012, 2013, and 2014 was relied upon to reach some of the conclusions presented in this report.

SUMMARY

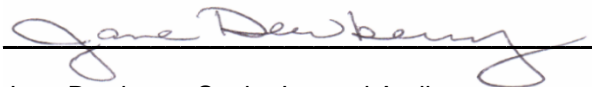
The University's decision to waive the employee's \$800 annual deductible for services obtained from Taylor Health and Wellness Center was not only successful in decreasing medical costs for employees, but also resulted in increased revenue for Taylor.

This audit also made recommendations regarding reconciling procedures, athletic charges, expense tracking, inventory, and the wellness programs.

We wish to thank management and staff of the Taylor Health and Wellness Center for their assistance during this audit.



Donna K. Christian, CPA, CGFM,
Director of Internal Audit and Compliance



Jane Dewberry, Senior Internal Auditor
Fieldwork Completion Date: September 28, 2015

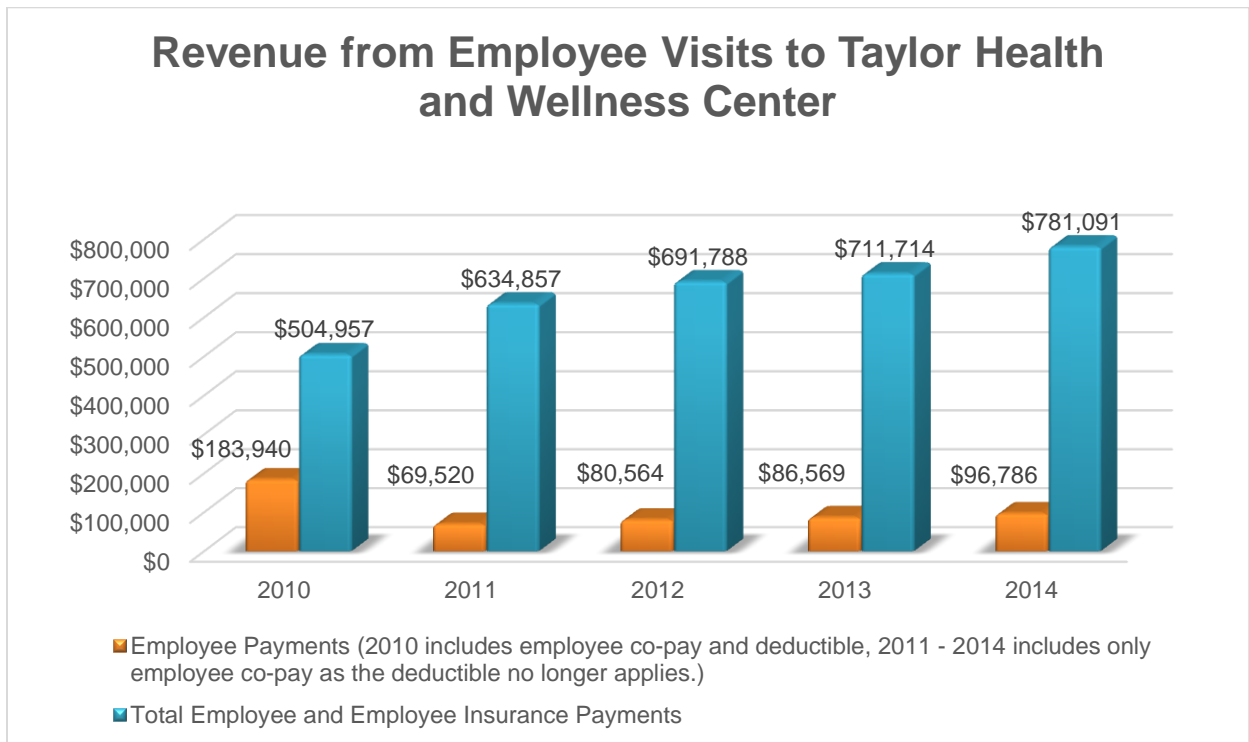
OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Medical Benefit Change

Beginning January 1, 2011, the University decreased the out-of-pocket medical costs for employees by waiving the \$800 annual deductible for services obtained from Taylor Health and Wellness Center. This change in the University's medical plan was not only successful in decreasing medical costs for employees, but also resulted in increasing revenue for Taylor. Taylor Health and Wellness Center also offers lower costs for routine medical services which results in lower costs for employees and the University. A detailed explanation of the outcome of this benefit change is as follows:

- **More Revenue for Taylor Health and Wellness Center**

Revenue generated from employee visits has increased significantly since the benefit change. (Note: For the remainder of Observation #1, *employee* is defined as a University employee and/or their insured dependents.) As shown in the chart below, the first year of the benefit change (2011) showed the biggest jump with revenues increasing from just over \$500,000 in 2010 (prior to the change in benefits) to nearly \$635,000 in 2011 (a 27 percent increase). While it is unclear if the entire increase is directly related to the change in benefits, with no other significant changes occurring during this time we believe that there is a direct relationship. Since 2011 employee related revenues have maintained a steady increase with University employees accounting for over \$780,000 in revenues for Taylor during 2014. Additionally, these increased revenues (paid from the University's self-funded medical benefits plan) have been utilized on campus to benefit Taylor Health and Wellness Center rather than off-campus medical providers. In total, Taylor's revenue from employee visits has increased by approximately **\$800,000** in the last four years since the change in benefits.



- **Lower Costs Paid By Employees**

With the elimination of the \$800 annual deductible for Taylor services, University employees are only responsible for the 20 percent co-pay. The University’s benefit plan pays 80%, with preventive services paid at 100%, up to \$400. The chart above also reflects a decrease in costs paid by employees as a result of the benefit change. In 2010 (prior to the change in benefits) employees paid \$183,940 of the \$504,957 total employee revenue, or 36.4 percent. Since the change the employees’ share equates to only about 11 to 12 percent of the total employee revenue received by Taylor.

- **Cost to the University’s Health Plan/Savings for Employees**

We asked Med-Pay Inc., the University’s benefit administrator, to analyze claims and determine the additional cost the University’s Health Insurance fund incurred for this added benefit. Through their analysis of all employee claims, Med-Pay identified which individuals had not met their deductible by year-end and recalculated the difference in the amount covered by the University’s insurance at Taylor Health if the deductible had not been waived. The table below shows that the University’s benefit plan paid and employees saved a total of approximately **\$590,000** in insurance co-pays as a direct result of the benefit change since 2011.

Added Costs to the University's Health Plan and Savings for Employees					
	2010	2011	2012	2013	2014
Calculated Costs*	n/a	\$151,429	\$131,435	\$152,093	\$156,736

*Costs calculated by Med-Pay Inc.

- **Routine Medical Services Cost Less at Taylor**

Routine medical services generally cost less at Taylor. For example, a basic office visit at Taylor costs \$39, while a comparable office visit at the University’s off-campus contracted provider costs \$84. Utilizing Taylor Health results in additional savings for the employee (20% co-pay) and the University’s benefit plan (80% to 100% coverage). We requested Med-Pay provide us with the actual cost charged to the University’s benefit plan for medical services provided at Taylor and comparable cost data of the same services provided by the University’s contracted off-campus provider. Because the analysis involved significant detail, only one year of data was reviewed. Presented in the chart below is the actual cost to the University’s benefit plan of medical services at Taylor and a calculated savings or expense if these same services would have been obtained from the University’s off-campus contracted provider.

Cost Comparison of Medical Services at Taylor Versus Off-Campus Provider

Fiscal Year Ended June 30, 2014

Category:	Number of Actual Services Provided*	Actual Cost at Taylor*	Savings (Expense) Compared to Off-Campus	Percent of Savings (Expense)
Office Visit (various types)	4,213	189,110	201,260	51.6%
Procedure/Surgery	237	15,919	2,818	15.0%
Psych Therapy	44	4,102	482	10.5%
Drugs/Supplies/Handling	4	583	12	2.0%
Medical	967	19,796	4,099	17.2%
X-ray	766	36,925	(21,971)	-146.9%
Lab/Pathology	10,978	256,423	(50,358)	-24.4%
Blood draw for labs	1,777	26,182	(19,305)	-280.7%
Total		549,040	117,037	17.6%

*Data provided by Med-Pay Inc. Data includes comparable services only.

Overall, the University and employees together save about 17 percent if an employee receives these routine medical services at Taylor. Although x-ray and lab related services cost more at Taylor, the savings for other items, such as office visits, are significantly more. Taylor Health and Wellness Center provides employees with a quick, inexpensive means to receive routine medical care, and employees do not have to use their vacation or sick leave time for visits to Taylor. The time savings associated with keeping employees on campus and on the job for routine medical services is not tracked, but would constitute an additional benefit for the University and the employee. According to data provided by Med-Pay, Inc., approximately 61% of all persons covered by University insurance who had claims paid during 2014 utilized Taylor Health and Wellness Center for a portion of their medical care.

- **Overall Summary**

Since the benefit change in 2011, Taylor Health and Wellness Center has seen a steady growth in employee revenue. With no other benefit changes and no increase in prices at Taylor, it appears that most of the growth can be attributable to the benefit change. Since 2011, Taylor has seen over **\$800,000** in new revenue that was paid from the University's medical benefit plan and utilized on campus rather than at off-campus providers. Overall, the cost to the University's benefit plan and the savings for employees was approximately **\$590,000** over the last 4 years. Additionally, employees and the University saved money because costs for routine medical services at Taylor are approximately **17%** lower than at off-campus providers.

Recommendation:

Continue to encourage University employees to utilize medical services at Taylor in an effort to reduce medical costs for both the University and the employee.

Management Response:

Management appreciates this documentation of 17.6% savings to the University and its employees. Management concurs with the recommendations to continually encourage University employees to utilize Taylor medical services.

2. Reconciliation Procedures

Reconciliation procedures between the Health Center's medical records system and the University's Banner accounting system should be improved. Since the Health Center's system does not automatically communicate with the University's system, data must be transferred daily. Some data can be transferred electronically between the two systems and some data is summarized by the Health Center's system and then must be manually posted to the University's system. Reconciliations between the two systems have not always been adequately performed resulting in some Health Center revenues not being posted correctly to the University's accounting system and some charges not posted to employee/student account receivables.

- Health Center charges for pre-employment physicals between October 2011 and March 2014 totaling **\$47,988** were not properly posted to the University's Banner accounting system. Amounts charged by the Health Center for pre-employment physicals are paid by a budget transfer from the Human Resource Department to the Health Center which is manually posted to the University's accounting system. This entry was not posted resulting in less revenue being reflected in the Health Center's financial statements. This went unnoticed for over 2 years until identified by Internal Audit.
- The Health Center provides free flu shots to Missouri State University employees and their families each year and is reimbursed the cost of the vaccines annually by the University's Insurance Fund. This reimbursement is accomplished through a budget transfer which is manually posted to the University's accounting system. However, for FY 2012 the Health Center failed to request reimbursement totaling **\$36,144** from the Employee Medical Insurance Fund. These funds were later transferred in June 2014 after the error was identified by Internal Audit.
- Individual patient charges are transferred electronically from the Health Center's system to the University daily. Recently an employee's dependent went to Taylor and incurred medical charges but the charges never transferred to University accounts. A transfer error report printed for the date of the charges did not identify the transfer failure. A reconciliation performed by a Health Center student worker identified the error; however, there was no evidence to indicate action was taken to correct the error. It has since been determined that the last number of the employee's M-number was omitted from the Health Center record causing the charges not to transfer to the University accounts. It is unclear why the transfer error report did not identify this issue, as an incomplete M-number could be a commonplace error that should be readily identified on an error report. Health Center personnel should determine why the error report did not identify this incomplete transaction and take steps to correct the issue.

To be sure all financial activity is properly transferred from the Health Center's system to the University's records, a reconciliation should be performed with all exceptions adequately documented and corrected.

Recommendation:

Ensure all financial data is properly compared and reconciled between the Health Center's medical records system and the University's accounting system with documentation of all exceptions and corrections.

Management Response:

Management agrees that reconciliation of all charges to ensure payment is received must be done as recommended.

3. Charges for MSU Athletes

Medical charges for student-athletes are charged to the University's Athletics Department without first being billed to the student-athlete's personal insurance as required. According to the Student Athlete Handbook:

"The Missouri State University Intercollegiate Athletics Program provides insurance coverage for student-athletes but requires the athlete's insurance to pay its limits initially in case of illnesses or injuries sustained during supervised practices or competitions."

Health Center personnel explained they had always charged MSU Athletics and had never been told to file personal insurance for student-athletes. On the other hand, personnel from the Athletics Department indicated they thought the charges from the Health Center were being made after the student-athlete's personal insurance had paid.

Once the problem was discovered, the Health Center and the Athletic Training Department worked together to ensure the student athlete's insurance information was current and claims were filed on past charges still within the allowed time period to submit claims (approximately 6 months). The Health Center estimated that approximately \$1300 was collected from insurance companies. During FY2015 MSU Athletics incurred approximately \$35,000 in medical costs from the Health Center.

Recommendation:

Continue to work with MSU Athletics to file insurance claims for student athletes.

Management Response:

Taylor management will work with MSU Athletics to file insurance claims for student athletes.

4. Expense Tracking

In July 2015, at Internal Audit's suggestion, Taylor Health and Wellness Center began to track the direct costs associated with each of their operations (designated by specific ORG codes for Student Wellness, Clinic, Lab, X-ray, Pharmacy, and Administration). The intent is to consistently charge expenses to a specific expense code so that costs can easily be monitored and prices for services can be established based upon costs. However, coding errors are occurring because financial reports for Taylor are not adequately monitored for accuracy.

Although Taylor sets prices for most of their services significantly below that of the University's off-campus provider, by properly assigning expenses to each area of operations Taylor can ensure prices for services are set at rates that adequately cover the costs of providing those services. Without properly coding expenses, it is unclear if costs associated with specific services are being covered, and how prices for services are determined.

Recommendation:

Properly code expenses to the specific area of operations, closely monitor financial reports for accuracy, and utilize financial data at year-end to establish prices for services.

Management Response:

Management will properly code expenses to the specific are of operations, closely monitor financial reports and utilize financial data at year-end to establish prices for services, as recommended.

5. Inventory

Taylor Health and Wellness Center does not maintain adequate inventory records of medical items that are separately charged to patients. For example, Taylor keeps items such as crutches, blood pressure machines, splints, and other items in stock for patients who need them. Inventory records should be maintained to track the number of items purchased, on hand, and sold to patients. Additionally, physical counts of these items should be performed and reconciled to inventory records periodically.

Recommendation:

Maintain inventory records of medical items separately charged to patients and periodically reconcile these records to physical inventory counts.

Management Response:

Taylor management will explore ways to maintain inventory records of medical items and reconcile these records to physical inventory counts.

6. Wellness Programs

Wellness programs are provided for both employees and students. Gift cards are used as incentive prizes for both programs. As of September 1, 2015 there were approximately \$3,500 worth of gift cards on hand. Controls over gift cards should be improved as follows.

- Each student receiving a gift card signs a form documenting they received the gift card; however, once the Student Wellness Coordinator prepares the mass gift reporting form, all the signed individual forms are destroyed. Additionally, this mass gift form was submitted to the Office of Student Affairs instead of Financial Services to ensure all gift card values were properly reported as income.
- The Employee Wellness Coordinator did not obtain signatures of employees who received gift cards. She maintains a log showing the purchases of new gift cards and the total number of gift cards issued for each program; however, this log is not compared to the actual number of gift cards on hand. We performed this comparison and identified \$1,200 in gift cards that were inaccurately reported as used rather than purchased.
- There is currently \$935 in unused, prepaid Visa gift cards that were activated at the time of purchase in early 2014. These cards are subject to a \$2 monthly inactivity fee after 24 months and should be used as soon as possible.

To ensure all gift cards are accounted for properly, a log should be maintained of all gift card activity with the balance of gift cards calculated on the log and periodically compared to the balance of gift cards on hand. Any difference should be investigated. Additionally, employees and students should sign for gift cards received and these records should be retained and compared to the mass gift reporting form which should be submitted to Financial Services for proper reporting.

Recommendation:

Develop procedures to properly account for all gift cards received and issued through the wellness programs. Additionally, the \$935 in old prepaid Visa gift cards should be used quickly to prevent loss of funds.

Management Response:

Taylor management will write a new gift card protocol to include all of the auditor's recommendations.

Taylor Health and Wellness Center
Statement of Income and Expenses
Fiscal Years Ending June 30,

	2015	2014	2013
Student Fees	\$ 1,986,168	\$ 1,971,092	\$ 1,922,238
Other Income and Fees	106,723	101,297	94,374
Clinic Income	977,050	884,218	854,524
Lab Income	604,226	561,506	489,288
X-ray Income	108,957	100,000	85,715
Biometrics Reimbursement	72,765		
	3,783,124	3,690,878	3,446,139
Labor Expense	(2,832,405)	(2,806,504)	(2,554,816)
Other Operating Expenses	(832,839)	(527,798)	(573,494)
	(3,665,244)	(3,334,302)	(3,128,310)
Net Income from Clinic	117,880	356,576	317,829
Pharmacy Revenue	2,932,872	2,745,652	2,447,791
Items for Resale	(2,275,046)	(2,344,879)	(2,051,864)
Labor	(321,631)	(339,463)	(324,429)
Other Operating Expenses	(10,755)	(11,323)	(17,518)
	(2,607,432)	(2,695,665)	(2,393,811)
Net Income from Pharmacy	325,440	49,987	53,980
less Transfer to Operating Fund	(307,606)	(307,606)	(307,606)
Combined Net Annual Income	135,714	98,957	64,203
Audit Adjustments for Prior Years:			
International Student Insurance Correction	95,968		
FY12 & FY13 Employee Physicals		47,988	
FY12 Flu Shots		36,144	
Net Total Annual Income	\$ 231,682	\$ 183,089	\$ 64,203

Taylor Health and Wellness Center
Office Visit Summary
Fiscal Years Ending June 30,

	2015	2014
Students	19,770	18,626
Employees	<u>7,942</u>	<u>7,556</u>
Total	<u><u>27,712</u></u>	<u><u>26,182</u></u>