

Ten Financial Controls to Protect Your Urgent Care Practice

Alan A. Ayers, MBA, MACC

Content Advisor, Urgent Care Association of America

Vice President of Strategy and Execution, Concentra Urgent Care

Dallas, Texas

Urgent care physicians often leave the business details of their practice to other people, focusing their efforts instead on the clinical treatment of patients. Operating without oversight in an environment of complicated billing procedures, volume peaks and declines of a walk-in model, and ever-changing insurance reimbursement makes an urgent care center vulnerable to fraud and abuse. The best defense is for the urgent care owner to implement the controls necessary to deter employee malfeasance and keep management accountable through regular reporting.

1. Know Your Employees

Preventing fraud and abuse starts with hiring honest and conscientious staff. Although contacting an applicant's previous employers and personal references may uncover "red flags," to avoid liability many employers are hesitant to offer anything other than a neutral reference. To increase confidence in a prospective hire, an urgent care operator should perform a third-party background search and have employees bonded.

Typical background reports validate the applicant's Social Security number, uncover criminal offenses, and identify credit-related problems like bankruptcy. Some services go further by verifying an applicant's education, licensure, employment history, mode of living, and general reputation. Because employee background checks are regulated by the Fair Credit Reporting Act (FCRA) which requires an applicant's written consent and restricts the types of information that may be uncovered, it's best to utilize an experienced third-party company, many of which can be found on the Internet.

"Bonding" involves purchasing an insurance contract that indemnifies the urgent care center for its employees' fraudulent or dishonest acts. Bonding contracts may cover an individual employee, a group of employees, or all of the center's staff. The bonding process typically requires a background check, so notifying employees that they will be bonded should deter applicants with histories of illegal activity.

In addition to assuring applicants have a "clean" history, all new hires should be competent for the job they are asked to perform. Relying on past job experience may be insufficient if an employee is expected to "hit the ground running," and many centers will test prospective employees on basic clinical or insurance concepts as part of the screening process. Although not a direct factor in fraud and abuse, employee incompetence hurts the bottom line through errors and omissions in medical billing, poor customer service, and lack of regulatory compliance. Incompetence in setting up and monitoring financial processes also opens the door for unethical activity as loose processes make it difficult to differentiate negligence from deliberate acts.

2. Invest in Bookkeeping Software

Off-the-shelf accounting software saves time and increases accuracy over manual bookkeeping systems by automating routine business transactions such as bill payment, account reconciliation, inventory management, and asset depreciation. Bookkeeping software also integrates financial controls by limiting access of users (who enter the system using a unique ID and password), designating user roles (facilitating segregation of duties), and by creating an audit trail (including logs of deleted/modified transactions).

All financial transactions should be entered into the accounting system on a daily basis. If a separate practice management system is used for medical billing, then daily totals of service revenue, payments received, refunds due, and receivables outstanding should be entered into the bookkeeping system as journal entries.

Accounting and practice management systems should be backed up daily and tapes should be stored in a secure location off-site. Even if bookkeeping is performed by an outside entity, the practice owners should still receive regular backups if there is ever a need to change bookkeepers. Not only do back-ups protect against data loss in the event of physical disaster or system failure, but they provide an audit trail that can be used to deter any changes to historical records.

3. Account for Every Visit

Rising numbers of uninsured and patient out-of-pocket expenses create an incentive for “stealing” medical care. As walk-in clinics that treat a wide range of conditions, urgent care centers offer immediate satisfaction with a greater degree of anonymity than primary care offices. And unlike large hospitals, many patients feel independent urgent care centers won’t “flex their muscle” in prosecution or collections. To prevent loss of revenue on services, processes should be in place to account for every patient seen in the center.

Patients should be required to “sign in” and present picture identification at the front desk. A chart should be created and/or updated, CPT and ICD-9 codes indicated, and charges calculated for every patient seen. All visits should be entered into the medical billing system, regardless of whether the patient is expected to pay. End of day visit counts from the system are then reconciled to the sign-in sheet and patient receipts. Any discrepancies should be noted in a daily log and visits that do not result in charges should be indicated with a reason (i.e. dissatisfied patient, professional courtesy, recheck, etc.) and tracked over time.

If a paper charge ticket is used, forms should be sequentially numbered so that missing charge tickets can be reconciled against the visit log to assure all visits are charged. The practice of treating friends, family, and employees without creating the proper documentation can put a practice at risk for HIPAA and other violations and set a bad example to the staff that getting paid for services is optional.

To prevent patients from receiving care and then “forgetting their wallet”—or otherwise walking out of the center without paying—all co-pays and balances should be collected prior to services. The center’s financial policy should clearly set patient expectations as to what amounts they are required to pay before and after their visit. Although some patients balk at having to pay in advance—citing practices who bill their co-pay—a patient who cannot pay today most likely will also be unable to pay tomorrow and recovery rates for patient balances in collections are typically low.

4. Segregate Bookkeeping Duties

Segregation of duties means no single person is allowed to carry out all responsibilities related to a process. In an urgent care center, different individuals should calculate and enter patient charges, receive and deposit payments, write-off patient balances, and post payments to patient accounts. In addition, the individual approving invoices for payment should not be creating purchase requisitions, writing checks or reconciling bank statements.

Without segregation of duties, a sole bookkeeper could cancel patient charges and pocket the payment or create bogus invoices and make payments to fictitious companies. So not only does segregation of duties add “checks and balances” to operational processes, it reduces the risk of individual fraud and abuse—the only way fraud can occur in a properly segregated system is through the conspiracy of multiple individuals which is difficult to perpetuate.

5. Monitor Cash Receipts

Cash is the lifeblood of every business—providing the working capital for ongoing operations and disbursements to owners. Cash is also the favorite target for fraud and abuse. The most effective way to prevent theft of incoming cash is segregation of duties but additional processes should be in place to limit employee’s access to cash:

- Utilize dual control by having two employees open mail containing payments. One employee logs remittances by payer and amount and the second totals receipts and prepares the deposit.
- For cash received in the center, sequentially numbered receipts should be issued. Some auditors recommend placing a sign reminding patients to ask for a receipt. Any void or missing receipts should be investigated.
- Deposit all receipts on a daily basis—do not let cash or checks sit around. Stamp all checks “For Deposit Only” to the center’s account immediately upon receipt and do not pay any expenses out of receipts.
- If the practice receives a lot of checks by mail, consider utilizing a bank lockbox service in which checks are mailed directly to the bank’s PO Box, deposited immediately, with the bank providing a record of remittances.
- Maintain separate petty cash and change funds. Reconcile the change fund daily and petty cash monthly. Keep a log of petty cash disbursements and require receipts or other documentation.
- Balance daily bank deposits against patient receipt batches entered in the A/R system.

6. Monitor Cash Disbursements

Protecting cash also entails protecting bank accounts through a defined process for requisitioning supplies, creating purchase orders, verifying receipt of materials, matching invoices, and issuing checks. Segregation of duties requires these tasks be performed by different staff members and no payments should be made unless all documentation is in place. Disbursements should also be reviewed for employee names, residential addresses and unfamiliar vendors.

Check-signing authorization should be limited to the owners and check stock should be stored in a secure location. Bank statements should be received and reconciled by someone other than who writes the checks and when reconciling the bank statement, the payee, endorsement, and check amount should be verified against the invoice or purchase order. Credit card bills should likewise be reviewed monthly to assure all expenses are authorized.

7. Require Authorization for Write-offs and Refunds

Often financial fraud is “hidden” in the form of write-offs to paid accounts and refunds to fictitious patients. The owners should approve all write-offs to bad debt, receivables turnover to third party collections, and refund checks should be presented with their supporting documentation.

8. Outsource Payroll

Managing payroll can be a complicated endeavor that involves approving and reconciling overtime, allocating income to the correct tax jurisdictions, and withholding the appropriate government payments. The more benefits an urgent care offers its employees, the more complicated payroll becomes. Outsourcing payroll saves time and money by shifting the administrative burden and leveraging the technology scale and experience of a dedicated professional.

Most payroll systems are integrated with electronic timecards and any overtime, sick leave or vacation should be reviewed for legitimacy and compliance with company policy before submitting to the processing company. Only an owner should be able to authorize the addition of an employee, changes to pay rate, or cash bonuses. Overstating hours worked is an easy way for employees to “give themselves a raise,” so overtime should be approved in advance. There should also be a policy and a process in place for authorizing employee expenses that are reimbursed through payroll.

Once payroll is ready to process, the numbers should be approved by someone other than who prepared it. In addition, payroll company reports should be reviewed by the owners on a regular basis with an eye towards excessive overtime, unusual bonuses, and seemingly high expense reimbursement.

9. Produce and Review Monthly Financial Statements

Bookkeeping software typically integrates standard month-end reports including a profit/loss statement, balance sheet, and statement of cash flows. From these reports, as well as data in the medical billing system, additional reports should be created of key practice indicators such as number of visits, average charges and net collections per visit, contractual allowances and write-offs to bad debt, patient- and payer mix, accounts receivable days, and EBIDTA margin (earnings before interest, depreciation, taxes and amortization) as a percent of revenues.

Every month, compare the most recent month's results to previous months and previous years to identify any trends—particularly those indicating increased A/R, operating expenses or revenue write-offs. Also compare revenue and expenses to budget and investigate any variances between actual and planned performance.

Understanding monthly trends not only provides strategic guidance for managing the business, but also flags owners to fraud and manipulation of the financial records.

10. Engage Independent Verification

Good corporate governance requires oversight by a board of directors consisting of owners and other stakeholder representatives who review financial statements and hold management accountable for results. The most effective boards also engage one or more “independent” board members, who are business-savvy individuals from other industries without a direct stake in the business.

In order to function effectively, the board must be confident that the financial data presented by management is representative of the underlying business. This means that the board must assure financial controls are in place and in many instances, engage outside auditors to test controls and attest to the accuracy of financial information. The board also has legal authority to hire, fire, and compensate top management and regular board meetings should evaluate the strategic direction of the urgent care business.

A small or start-up business controlled directly by owners without a board structure may also utilize independent verification by having an accountant (other than the bookkeeper) periodically review financial records. Typically the accountant who prepares the center's tax returns will also provide feedback on control processes and evaluate the quality of financial data reported.

While business controls may be implemented as a deterrent to fraud and abuse, they also create a framework of process and accountability leading to a well-run organization. To be effective, employees should be aware of all controls that are in place and controls should be consistently utilized and frequently tested by the owners or an independent auditor.