

GUAM MEMORIAL HOSPITAL AUTHORITY
(A COMPONENT UNIT OF THE
GOVERNMENT OF GUAM)

INDEPENDENT AUDITORS' REPORTS ON
INTERNAL CONTROL AND ON COMPLIANCE

YEAR ENDED SEPTEMBER 30, 2019

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Guam Memorial Hospital Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guam Memorial Hospital Authority (the Authority), a component unit of the Government of Guam, which comprise the statement of net position as of September 30, 2019, and the related statements of revenues and expenses and changes in net position, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

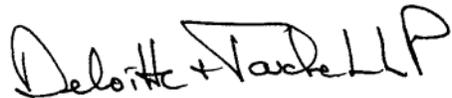
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

June 25, 2020

GUAM MEMORIAL HOSPITAL AUTHORITY
(A Component Unit of the Government of Guam)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2019

Finding No. 2019-001 – Patient Receivables

Criteria: Measures and actions should be undertaken to collect and address long-outstanding and increasing receivables. Additionally, an effective system of internal control includes procedures over timely billing.

Condition: Tests of patient receivables noted the following:

- Monthly contractual estimates are not reviewed prior to posting. Based on the trend of uncollection rates, an additional provision of \$11.89 million was proposed and recorded as of September 30, 2019.
- GMHA has \$9.16 million of unbilled receivables as of September 30, 2019. \$4.7 million (or 52%) of unbilled receivables were pending verification of charges with labs, physician notes, or other support. \$4.2 million (or 46%) of unbilled receivables were missing codes for admitting diagnosis which must be inputted by coders in the Medical Records Department.
- GMHA has \$3.25 million in accounts receivable suspense accounts as of September 30, 2019, which included items dated as early as FY 2011. An analysis of accounts receivable suspense accounts was not provided until April 2020 and the reconciliation schedule did not identify items that have cleared in FY2019.
- The number of days from discharge to billing ranged from 8 - 39 days for 41 (or 46%) of 90 revenue transaction samples. The average days for bills to drop is set at 7 days.

Cause: The causes of the above condition appear to be (1) GMHA's mandate to service all in need of medical services regardless of patient condition, (2) a lack of continuous familiarity by GMHA personnel with the new revenue and collection management system, and (3) the relatively high volume and complexity of billing and collection processes compared to the limited availability of resources.

Effect: The effects of the above condition are the accumulation of uncollectible receivables and the potential for inadequate cash flows to meet current obligations. Further, lack of timely analysis of receivables and AR suspense accounts may result in lost revenue for late billing and disputed receivables because of collections in the AR suspense accounts not recorded against specific receivable balances.

Recommendation: We recommend that the Authority continue its effort to follow up on outstanding patient receivables and continually review existing collection measures and strategies. Additionally, receivables and receivable suspense accounts should be timely analyzed and adjusted as necessary. We further recommend that the Authority revisit the adequacy of resources assigned to the billing and collections division. Also, documentation should be on file in support of recorded financial statement transactions. Finally, we recommend that GMHA take reasonable steps to improve posting of charges to the revenue system and timely billing within the established period.

Identification as a Repeat Finding: Finding 2018-001

Views of Auditee and Planned Corrective Actions:



Guam Memorial Hospital Authority

Aturidåt Espetåt Mimuriåt Guåhan

850 GOV. CARLOS CAMACHO ROAD

OKA, TAMUNING, GUAM 96913

TEL.: (671) 647-2544 or (671) 647-2330

FAX: (671) 649-0145



See the auditee-prepared corrective action plan.

CORRECTIVE ACTION PLAN 2 CFR § 200.511 (c) Year End September 30, 2019

Finding 2019-001 Patient Receivables

Views of Auditee and Planned Corrective Actions:

GMHA recognizes that its complex billing and collection processes require additional resources to review, process, and ensure compliance with internal controls. Therefore, in March 2019, GMHA hired an Internal Auditor to monitor and strengthen the GMHA's internal controls and prevent fraud. In FY 2020, GMHA hired three data entry clerks, two coders, and two collection agents to fill vacancies for billing, coding, and collections functions which are vital in revenue cycle management (RCM). In addition, GMHA issued a request for proposals to solicit an RCM consultant to improve GMHA's RCM structure and processes to include reducing accounts receivable and maximizing collections. The RCM consultant will also assist GMHA maintain federal and local regulatory compliance, receive appropriate and expedient reimbursements from insurance/third-party payers, improve revenues, reduce claims/insurance denials, reduce bad debt expense and write-offs, modernize and streamline the RCM workflow, decrease operating losses, and improve patient experience.

GMHA also hired an Accountant II in January 2020 to review and analyze receivables and reconcile suspense accounts. Contractual adjustments will be formally reviewed by the General Accounting Supervisor as they are posted monthly.

While billings are set to drop seven days after patient discharge, a majority of the late postings are due to the untimely submission of physician fee vouchers and servicing department charges. Internal medicine and pediatric hospitalists have been trained and currently charge their fees via GMHA's electronic voucher system IMED, resulting in timely postings. Training is still ongoing for all incoming hospitalists and physicians. GMHA staff continue to send reminders to all physicians regarding the importance of timely submission and have even resorted to restricting physician access to the IMED when they are consistently delinquent.



Guam Memorial Hospital Authority

Aturidåt Espetåt Mimuriåt Guåhan

850 GOV. CARLOS CAMACHO ROAD

OKA, TAMUNING, GUAM 96913

TEL.: (671) 647-2544 or (671) 647-2330

FAX: (671) 649-0145



CORRECTIVE ACTION PLAN, CONTINUED

2 CFR § 200.511 (c)

Year End September 30, 2019

GMHA's continues to improve the management of patient receivables by:

- Monitoring and reviewing the billing and collection processes and redirect resources to where they are most needed.
- Regularly communicating with the Department of Public Health and Social Services (DPHSS) and the insurance providers to resolve claims and rebill denied or disputed claims.
- Providing staff training on system familiarization.
- Cross training and reassigning staff to assist in billing, reconciliation, rebilling, and clearing of suspense accounts.
- Effectuating new provider agreements effective June 1, 2019 to strengthen and reduce insurance claims denials.
- Meeting at least twice a month with the entire revenue cycle staff and utilization review team to identify and resolve revenue capture, billing, collection, and documentation issues.
- Coordinating with the Department of Revenue and Taxation for collections assistance via garnishments of tax refunds and referring problematic accounts to the Office of the Attorney General to encourage patients to enter into payment plans and make payments towards their outstanding balances.

Proposed Completion Date: Ongoing.

Name of Contact Person: Yukari Hechanova
Chief Financial Officer, Acting



Guam Memorial Hospital Authority

Aturidåt Espetåt Mimuriåt Guåhan

850 GOV. CARLOS CAMACHO ROAD

OKA, TAMUNING, GUAM 96913

TEL.: (671) 647-2544 or (671) 647-2330

FAX: (671) 649-0145



Summary Schedule of Prior Audit Findings Year Ended September 30, 2019

| Finding No. | CFDA No. | Requirement | Status at September 30, 2019 |
|-------------|----------|---------------------|--|
| 2015-001 | N/A | Patient Receivables | Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-001. |
| 2016-001 | N/A | Patient Receivables | Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-001. |
| 2017-001 | N/A | Patient Receivables | Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-001. |
| 2018-001 | N/A | Patient Receivables | Not corrected. Refer to the planned corrective actions in the Corrective Action Plan for Finding 2019-001. |