

13th Annual Region 11 Healthcare Symposium

Monday, January 24, 2011

Compliance *The New Managed Care*

SHARP



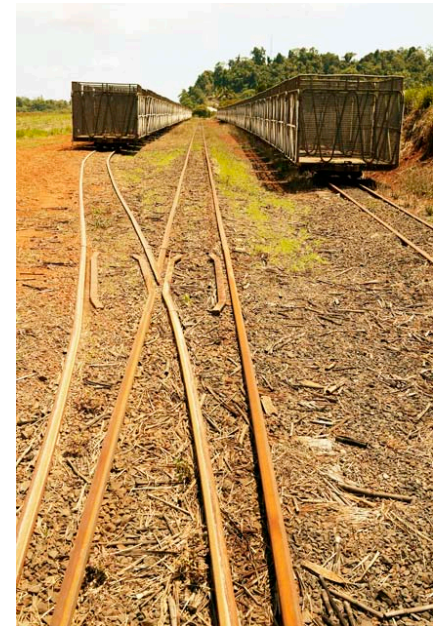
Presenters:

Paul Belton, RRA, MBA, MHA, JD, LL.M., Sharp HealthCare

Jack Duffy, MBA, MPA, Integrated Revenue Management

The Intersection of Compliance and Finance

- ✓ A brief history of healthcare finance
- ✓ A briefer history of Compliance
- ✓ Separate and not quite equal
- ✓ In search of clinical competence
- ✓ The goal of permanent revenue
- ✓ Shared goals tools and techniques



Finance From 1930 to 2011



- From a little acorn reference
- Growing complexity and financial responsibility
- Government's first great payment change DRG
- Ever-evolving regulations (national healthcare by regulation)
- The new world of the universal audit

Compliance: An Evolving Profession

- ✓ Origins begin with laboratory (bundling and unbundling) and documentation (PATH audits)
- ✓ Continued with billing and coding strategies
- ✓ Metamorphous to quality and legal
 - ✓ EMTALA
 - ✓ Anti-Kickback
 - ✓ Stark Laws
 - ✓ Conflicts of Interest
- ✓ Optimization to accuracy



Compliance: An Evolving Profession

- ✓ Clinical with technical skill
- ✓ Rapidly matured with HIPAA, in particular privacy rules
- ✓ Government needed an inside executive to manage hospital compliance agreements that resulted from audit interventions

Compliance: An Evolving Profession



- Although privacy continues to consume time, audits pose significant risks
- Future may blend multiple skills with significant emphasis on medical necessity
- Role evolved with quality monitoring and never-do lists
- Healthcare Reform will change role

Compliance: Department Composition



- Attorney
- Nurses
- Coding Manager
 - Hospital and Physician
- Billing Coordinator
- Auditor
- Data Miner

Audit History in Finance

- Internal auditing has a long history but a limited role
- This group may represent an under-utilized resource
- Billing and coding audits followed prospective payment.
 - This includes external and internal second look coding for selected charts





Finance Auditing (Continued)

- ❑ In the 1980s, payment accuracy audits began as outsource companies
- ❑ Charge audits also began for charge sensitive payers
- ❑ Transaction auditing becomes an internal hospital department in the mid-1990s
- ❑ Clinical Documentation joins transactions as a key audit tactic

Compliance as Auditors

U.S. Department of Health & Human Services
Office of Inspector General



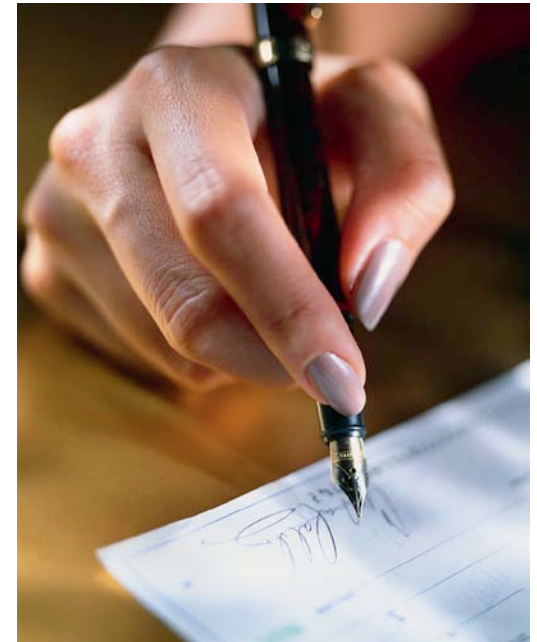
- A key component of federal settlement agreements has been Corporate Integrity Agreements (CIAs)
- CIAs can last for years and address complex patient selection, documentation and coding issues
- Strategy should include how to create compliant organizations

Historical Economic Perspective

- With the exception of charitable donations, finance is responsible for the creation of all financial resources through billing and investing activities
- Compliance may represent reduced economic resources by enforcing restrictive government rules
- ROI of Compliance
- Risk vs. Reward

Historical Risk Management Perspective

- ❑ Finance purchases insurance to cover multiple situations
- ❑ Incentive is to code, charge and bill at highest value
- ❑ Compliance role is to limit future government oversight by understanding, communicating and monitoring government audit initiatives
- ❑ Ensure accuracy in all claims



Key Benchmarking Areas

Healthcare is compliant when it:

Is Documented, Charged and Billed Correctly

Is Provided in an Approved Facility

Promotes Patient Rights

Is Reimbursed Correctly

Is Provided Without Financial Incentives

Is Medically Necessary

Is Provided by Qualified Physicians/Staff

Meets Quality Standards

Finance as a Clinical Department



- Prior to 1983, HIM staff coded records with little professional education, error rate in MedPAR exceeded 90%
- Post DRG's Health Information Departments were moved to finance to follow the money. The clinical component of finance vastly increases overnight

Clinical Finance (Continued)

- ❑ In many regions code-based reimbursement becomes the dominant payment method
- ❑ Selected systems try capitation in the 1990s; many fail
- ❑ Physician recruiting becomes more complex with increased federal oversight



Clinical Finance (Continued)



- ❑ Quality begins to become an economic event
- ❑ Transfer rules limits site of service flexibility
- ❑ Clinical Documentation post EMR becomes a core skill set
- ❑ Elevated physician interaction
- ❑ CFO clinical comfort level varies widely

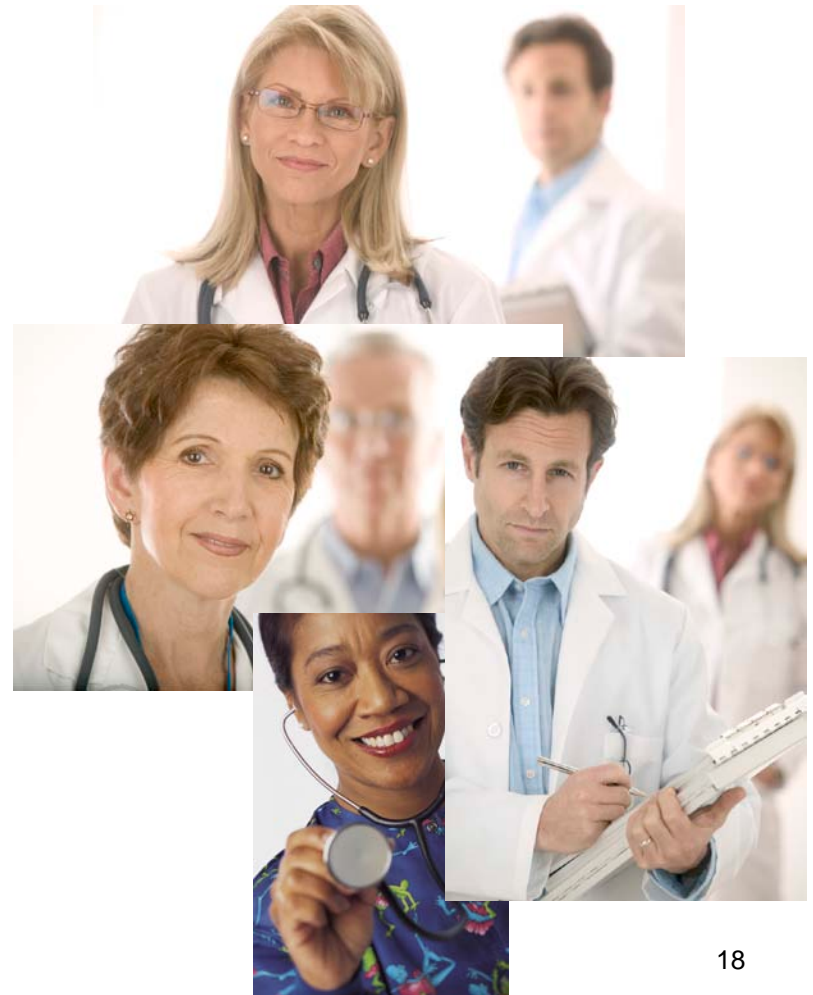


Clinical Compliance

- Privacy regulations often included concerns about communicating and transmitting patient clinical information
- Corporate Integrity Agreements usually include aspects of the coded uniform bill
- Physician behaviors impact hospital compliance agendas

Quest for Permanent Revenue

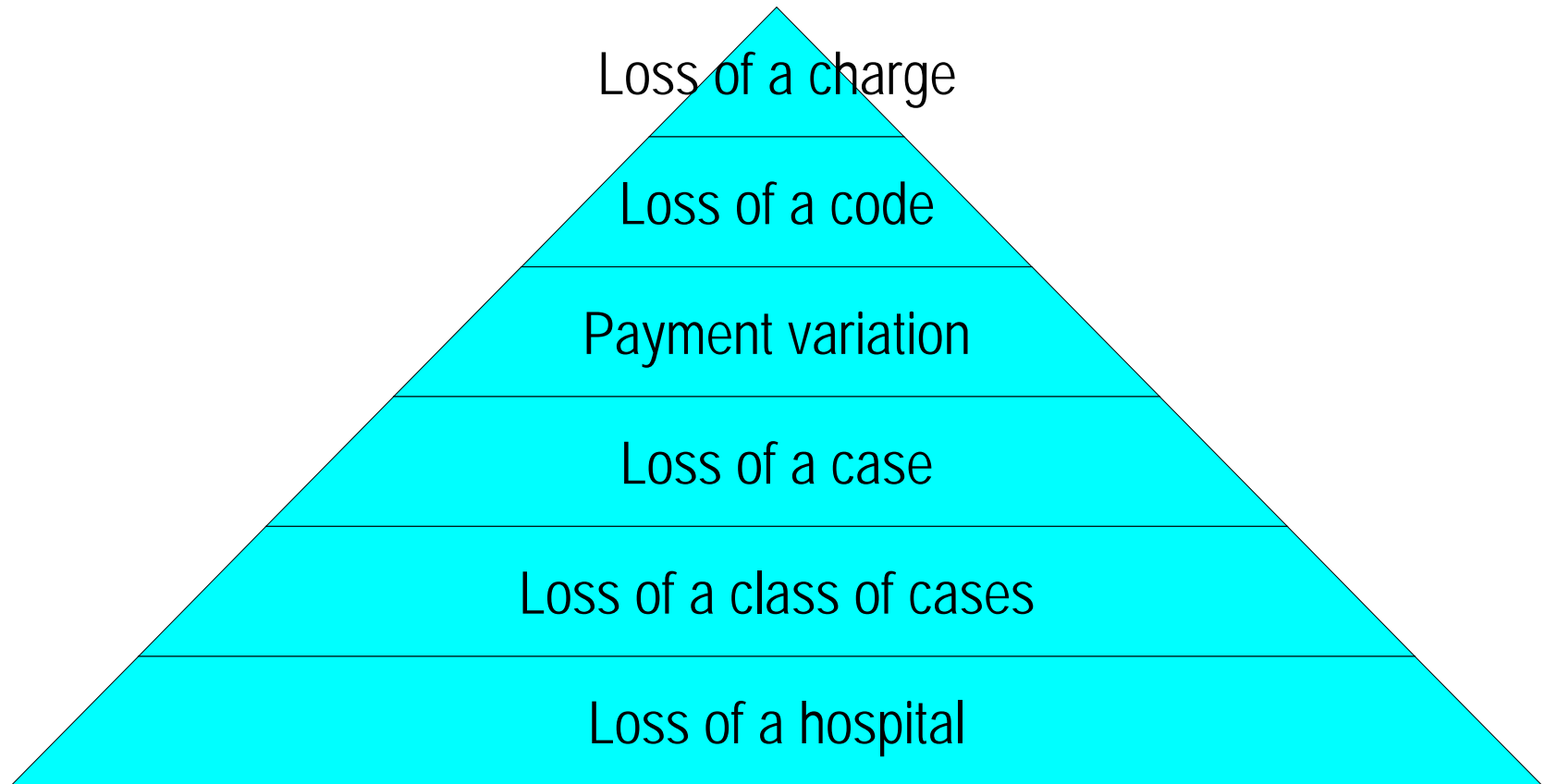
- Historically, healthcare providers could rely on the fiscal intermediary to administer Medicare rules; not today
- Paid claims were only challenged for egregious patterned errors
Today all claims are subject to post-payment audit
 - RACs, MACs, and MICs
- Audit risks can redefine payments made years ago, making reserve calculations difficult



Quest for Permanent Revenue

- Current regulations require additional audit initiatives for Medicaid and Medicare advantage
- These payers often don't follow regulations closely; making compliance difficult
- Moving government audit strategies adds to managing complexity
 - RAC expansion to Medicare Advantage, Part D and Medicaid

The Penalty Pyramid



Penalties

- ❑ Finance has been structured to manage lower value penalties using large clerical employee teams
- ❑ Higher value penalties are sent to other departments for additional review
- ❑ Compliance may be the department tasked to manage complex penalties
- ❑ Potential for FCA continues to increase



Current Environment

- ❑ Audit activity will accelerate during 2011
- ❑ Government has implemented permanent payment limits
- ❑ Pressure to adopt ACOs will continue
- ❑ Accepting a global payment strategy may incorporate significant risks due to inadequate total payment pools

Current Environment

- Compliance with hundreds of new regulations emanating from health reform and other new laws that cover all aspects of care delivery and finance
- Not-for-profit hospitals must conform with additional new criteria to retain their tax-exempt status
- Compliance needs to be a fundamental part of doing business, not a discrete function

New Compliance Requirements

- ❑ HIPAA 5010
- ❑ Tax-exempt status
- ❑ ICD-10
- ❑ Red Flags
- ❑ RAC audits

Implications for Providers

- ❑ Change in processes and workflow
- ❑ Dual systems
- ❑ Implications on current coding/documentation improvement programs to enhance CMI
- ❑ Financial implications of DRG shift and case mix shift (ICD-9 baseline reimbursement vis-à-vis new ICD-10 reimbursement)

A New Partnership: *Finance and Compliance*

What it is not:

Another committee

A series of unstructured meetings

The next turf war

A contest for resources

Finance – Compliance Partnership

□ Shared Goals

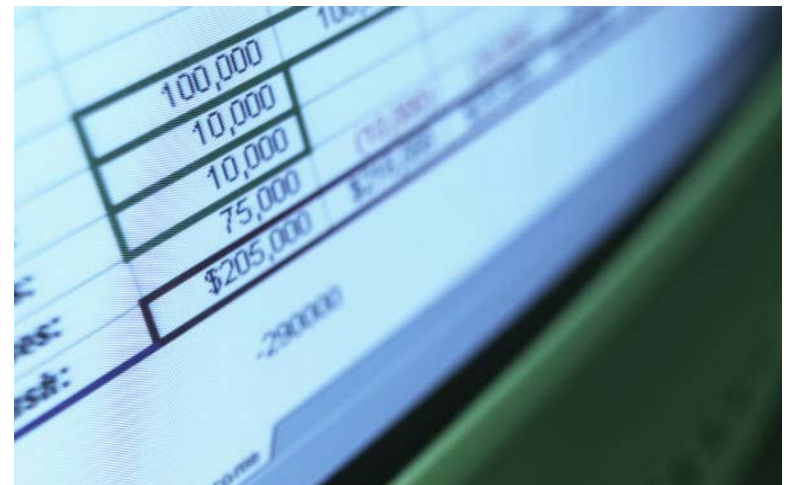
- Ultimate survival of the healthcare system as a viable clinical entity
- Preservation of public confidence built over decades
- Minimization of government oversight in the daily affairs of local healthcare
- Mitigation of risk and any potential penalties



Finance – Compliance Partnership

□ Shared Tools

- Business Intelligence
Software to track and trend key indicators often supported by disparate platforms
- Support of Revenue Management Departments that are tasked to provide continuous information related to the viability of charging, coding and payment transactions



A close-up photograph of a computer screen displaying a financial spreadsheet. The image is slightly blurred, focusing on a specific section of the data. Visible values include 100,000, 10,000, 10,000, 75,000, \$205,000, and -250,000. The spreadsheet is overlaid with a semi-transparent blue and green graphic element.

100,000	
10,000	
10,000	
75,000	
\$205,000	
-250,000	

Finance – Compliance Partnership



□ Shared Techniques

- Resource partnerships that coordinate all forms of internal auditing with all external audit threats
- Development of a methodology to measure the financial impact of adverse audit results that were prevented due to understanding and practicing compliant management
- Billing Compliance Committee

Finance – Compliance Partnership



□ Shared Projects

- CDM Updates and Reviews
- Denial Management
- Policies and Procedures
- Position Papers
- Case Management

Summary

□ Big F versus Small f

- Finance is both a function as well as part of everyone's healthcare experience



□ Big C versus Small c

- Compliance is both a formal structure as well as management philosophy that impacts all healthcare participants

Summary

- The best path may be the development of an integrated approach to the management of both Compliance and Finance



Questions and Answers (Q & A)



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Legal Compliance and Ethical System

