HCCA COMPLIANCE INSTITUTE

New Orleans, LA Tuesday, April 19, 2005
Workshop from 3:00pm – 4:00pm

HCCA - AHIA
Auditing & Monitoring Focus Group
Progress Report

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Overview of HCCA-AHIA Compliance Auditing & Monitoring Project

➢ **Project is a joint HCCA-AHIA Board of Directors' initiative as a result of meeting of both Board's members in April 2004**

➢ **Focus Group of five individuals first met in June 2004**

➢ **7 Component Auditing & Monitoring Framework Developed**

➢ **Series of 7 articles published in HCCA's *Compliance Today Magazine* and AHIA's *New Perspectives Journal* and all articles are available to members on both the HCCA and AHIA websites.**

➢ **Update on future compliance auditing & monitoring education and awareness offerings being considered and developed.**

HCCA-AHIA A&M Focus Group Members

Randall K. Brown
Baylor Health Care System, Dallas, TX

Britt H. Crewse and Kathy Thomas
Duke University Health System, Durham, NC

Al W. Josephs
Hillcrest Health System, Waco, TX

Glen C. Mueller
Scripps Health, San Diego, CA

Debi J. Weatherford,
Children's Healthcare of Atlanta, Atlanta, GA

Demographics of Today's Participants

How many are in a providers' compliance department?

How many are the Chief Compliance Officer?

How many are from Compliance functions of 1-2 people ?

How many organizations have a combined internal audit & compliance function?

How many could take advantage of additional compliance auditing and monitoring audit programs or checklists?

Demographics
of
Today's Speakers'
Organizations

Baylor Health Care System (BHCS), headquartered in Dallas, Texas, is a 501 (c)(3) not-for-profit organization comprised of:

14	owned, leased and affiliated hospitals;
75	primary care centers and practices;
6	senior health centers;
9	rehabilitation clinics;
20	affiliated ambulatory surgery centers; and,
	the Baylor Research Institute.

BHCS has a total of 2,670 licensed beds; 15,200 employees; 3,315 physicians. BHCS Fiscal Year 2004 Financial Statements listed $2.3 billion in total assets; $2.0 billion in total operating revenue; and $240 million in community benefits provided during Fiscal Year 2004.

The BHCS Office of Corporate Compliance (OCC) is responsible for the oversight of compliance initiatives throughout BHCS.

The OCC scope of responsibilities include Compliance Education/Awareness; Conflicts of Interest; Compliance EthicsLine; Sanction Screening; Compliance Risk Assessment and Work Plan; HIPAA Privacy & Security; Records Management; Revenue Cycle Compliance; Regulatory Compliance Consultation; and, Physician Contracting.

Scripps Health is a not-for-profit community-based health care delivery network in San Diego, California.

- $1.5 billion in annual net revenues

- 5 acute-care hospitals,

- 12 Physician Clinics,

- 350 member physician group,

- Home Health organization

- a health plan, and

- 10,000 employees.

Audit & Compliance Services at Scripps Health

The Scripps Audit & Compliance Services Department is an <u>organizationally independent function</u> reporting to the Audit Committee of the Board of Trustees. The department has primary responsibility for the following interrelated activities:

Corporate Compliance Program
Design and implementation of the Corporate Compliance Plan and facilitation, support, and monitoring of related Business Unit specific Compliance Programs.

Internal Auditing
Evaluating, testing, and improving effectiveness of Risk Management, Internal Control, and Governance Processes.

Privacy Program
Privacy regulations implementation and monitoring

Policies On-line Library and Review Process
System-wide on-line library and process coordination

Today's Workshop Agenda

➢ **Overview of HCCA-AHIA Auditing & Monitoring Project**

➢ **Discuss compliance auditing and monitoring resources**

➢ **Gain Understanding of ongoing needs of Participants**

➢ **General Q & A and Sharing Session**

➢ **Adjournment at 4:00 pm** *(we have just 60 minutes of sharing!)*

Seven Component Framework
for
Compliance Auditing & Monitoring

Published in October 2004 - *Compliance Today*

Seven Component Framework for Compliance Auditing & Monitoring

Monitoring is a process involving ongoing "*checking*" and "*measuring*" to ensure quality control. The process of monitoring is generally less structured than auditing and is typically performed by departmental staff.

Monitoring involves <u>daily, weekly, or other periodic spot checks to verify that essential functions are being adequately performed</u> and that processes are working effectively. The process of monitoring can indicate the need for a more detailed audit.

Seven Component Framework for Compliance Auditing & Monitoring

Auditing is a more <u>systematic and structured approach</u> to analyzing a control process. It is a formal review (performed by an individual (s) <u>independent</u> of the department) that usually includes planning, identifying risk areas, assessing internal controls, sampling of data, testing of processes, validating information, and formally communicating recommendations and corrective action measures to both management and the Board

Seven Component Framework for Compliance Auditing & Monitoring

While internal audit and compliance often work hand-in-hand,

compliance is typically responsible for providing oversight and direction for compliance monitoring processes (most of which is done by operational management); and

internal audit is typically responsible for providing oversight and direction of compliance auditing activities.

Seven Component Framework for Compliance Auditing & Monitoring

The lack of a defined framework to address and correct compliance related issues that are handled either by compliance auditors or internal auditors is a critical void that we believe should be addressed by organizations adopting the *Seven Component Framework* developed by our workgroup.

Seven Component Framework for Compliance Auditing & Monitoring

1. *Understand laws* and regulations

2. Perform a *risk assessment* and determine the level of risk

3. Obtain and/or *establish policies* for specific issues and areas

4. *Educate* on the policies/procedures and communicate awareness

Seven Component Framework for Compliance Auditing & Monitoring

5. *Monitor compliance* with laws, regulations, and policies

6. *Audit* the highest risk areas

7. *Re-educate* staff on regulations and issues identified in the audit

Seven Component Framework for Compliance Auditing & Monitoring
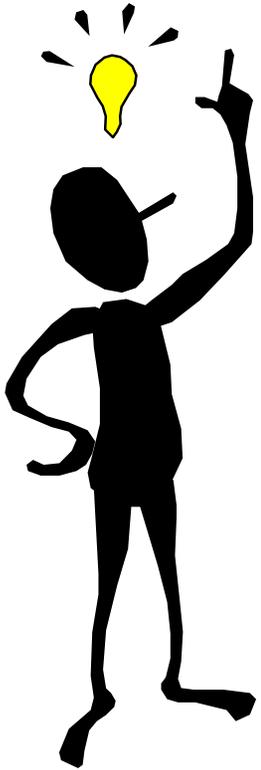
Important Conclusion By Focus Group:

Effective coordination, joint internal audit and compliance annual planning, and specific project planning by <u>compliance and internal audit functions</u> are essential for successfully integrating compliance auditing and monitoring processes within an organization.

Compliance Risk Assessment

Published in November 2004 - *Compliance Today*

Compliance Risk Assessment

- Determine the Scope and Preliminary
  List of Compliance Risks to be Assessed

- Identify Your Organization's Key Compliance
  Risk Related Data

- Finalize **Set of Risks to be Assessed**

- **Evaluate Control Activities** and
  Level of Risk Mitigation

- Calculate **Risk Concern Level** and **Rank Risk Areas**

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Compliance Risk Assessment *(continued)*

- **<u>Confirm Risk Evaluation Results</u>** with Senior Mgt and Compliance Committee

- Prepare **<u>Performance Improvement Action Plan</u>**

- Review Compliance Risk Assessment **<u>Results with Board Oversight Committee</u>**

- **<u>Incorporate Risk Assessment Results</u>** into Compliance and Internal Audit **<u>Plans</u>**

Compliance Risk Assessment (continued)

Important Conclusion By Focus Group:

Involving others in risk assessment process enables a greater enterprise view and better perspective on risks which takes note of interrelationships and interdependency among risks and takes a portfolio view of risks throughout the enterprise.

"Developing a <u>Compliance Work Plan</u>
For Compliance Auditing and Monitoring
In Health Care Organizations"

Published in January 2005 - *Compliance Today*

Developing a Compliance Work Plan

Upon completing a compliance risk assessment for your organization, the next step is to create a <u>compliance work plan detailing various compliance monitoring and auditing activities</u> for the upcoming year.

Developing a Compliance Workplan

Resources to consider in preparing your work plan include:

- OIG Annual Work Plan (published each Fall)

- Advisory opinions

- OIG Office of Investigation reports

- OIG Office of Audit Services reports

- Local Medical Review Policies

- Local Coverage Decisions

- Medicare Bulletins and CMS Updates

- Peer Review Organizations

Developing a Compliance Work Plan

Important Conclusion By Focus Group:

There are a significant number of resources readily available to assist you in preparing an effective compliance auditing and monitoring work plan for your organization.

"Using Computer Assisted Audit Techniques For More Effective Compliance Auditing and Monitoring In Healthcare Organizations"

Published in February 2005 - *Compliance Today*
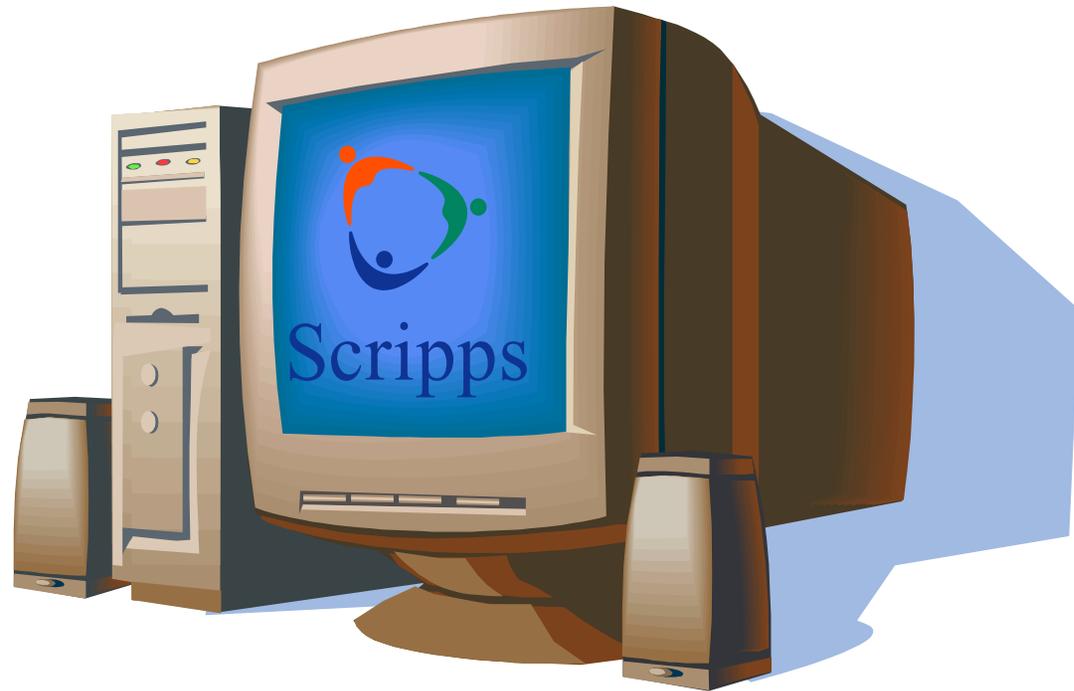
Revenue Cycle Complexities and Challenges

One of the initial hurdles for healthcare compliance and internal audit professionals is to understand the complexities and challenges of the revenue cycle. Recognizing the premise that *"you can't audit something you don't understand"* is essential and suggests the importance of investing time to better comprehend the components of your organization's revenue cycle.

The revenue cycle encompasses many people in a health care organization and is where patient care and financial processes intersect. *The revenue cycle is also where many of the most significant compliance risks reside* and therefore is the cycle that should receive proper emphasis by ongoing monitoring and auditing activities.

Revenue Cycle is Three Major Processes, all with Compliance Risks to be Audited

Revenue Cycle

Pre-Arrival and Patient Arrival Activities (Front-end Processes)	Episode of Care Activities (Middle Processes)	Patient Account Billing & Collection (Back-end Processes)
Access Management	Patient Care Management	Billing & Collections Management
Scheduling	Case Management	Billing
Registration	Charge Capture and Coding	Collections/ Follow-up/ Reimbursement Mgmt.
Admitting	Transcription	Guarantors & Collection Agencies
	Charge Entry and Documentation	Write-offs and Adjustments
	Denials Management	Patient Complaints

Revenue Cycle's Three Major Processes are a Tangled Web of Inter-related Sub-processes, Feeder Systems, and Core Systems

Revenue Cycle is VERY COMPLEX
and requires clinical, financial, and IS knowledge to understand.
Computer assisted analytics enable more effective auditing & monitoring.

Administrative Denials	Lengths of Stay Management
Bad Debt Management	Levels of Care Assignments
Bed and Census Management	Litigation Support
Bill Edit Report Management	Medical Denial Appeals
Billing	Medical Record Documentation
Cash Management/Treasury	Net Revenue Analysis
Charge Audits	Patient Account Dispute Management
Charge Master	Patient Relations
Charge Capture and Charging	Payer Contract Compliance
Coding	Physician Support for Process/Procedure
Collecting	Posting Payments
Compliance Related Policies and Education	Pricing
Contracting	Refund Processing
Contractual Adjustments	Registering
Core Clinical System Integration w/Revenue Cycle	Revenue Cycle Process Improvements
	Scheduling
Credit Balances Management	Third-party Lien Management
Denial Management	Uncollectible Accounts Write-offs
Expected vs. Actual Payments Reviews	User Hold Report Management
Financial Reporting	Utilization Review
Information Systems Support	VIP / Donor Relations
Insurance Verification	

Illustrative CAAT Using Frequency Distribution Analysis of Credit Balances

Analysis of Hospital Government Payer Credit Balances

Items older than 3 years subject to state Escheat requirements

▪Understanding by $ ranges helps plan how best to prioritize correcting actions

Balance Range	Cnt	% of $	Totals	< 6 Mos	6-12 Mos	1-2 Years	2-3 Years	> 3 Years
< -49,999.99	5	13.19%	(313,065.46)	(313,065.46)	-	-	-	-
-49,999.99 -> -25,000	6	8.84%	(209,876.08)	(209,876.08)	-	-	-	-
-24,999.99 -> -10,000	22	11.98%	(284,314.18)	(250,522.58)	(33,791.60)	-	-	-
-9,999.99 -> -7,500	14	5.19%	(123,155.29)	(113,855.19)	(9,300.10)	-	-	-
-7,499.99 -> -5,000	24	6.28%	(148,917.06)	(123,329.16)	(18,364.50)	(7,223.40)	-	-
-4,999.99 -> -2,500	92	13.26%	(314,630.04)	(266,106.33)	(15,952.83)	(21,511.44)	(7,136.64)	(3,922.80)
-2,499.99 -> -1,000	231	15.43%	(366,279.20)	(263,286.29)	(42,652.29)	(32,015.99)	(22,538.27)	(5,786.36)
-999.99 -> -750	189	6.72%	(159,387.71)	(113,567.09)	(27,111.41)	(12,148.59)	(4,937.92)	(1,622.70)
-749.99 -> -500	230	5.89%	(139,804.55)	(94,469.90)	(19,146.25)	(18,011.56)	(5,635.05)	(2,541.79)
-499.99 -> -250	426	6.38%	(151,293.13)	(115,319.14)	(17,860.50)	(10,530.28)	(4,692.61)	(2,890.60)
-249.99 -> -100	599	4.09%	(96,948.79)	(69,241.10)	(16,777.20)	(7,219.40)	(1,955.36)	(1,755.73)
-99.99 -> -50	533	1.59%	(37,717.62)	(25,392.11)	(6,678.12)	(3,570.39)	(1,614.66)	(462.34)
-49.99 -> -10	1,140	1.13%	(26,803.37)	(18,690.88)	(6,896.37)	(944.93)	(92.70)	(178.49)
-9.99 -> -0.99	164	0.04%	(950.48)	(760.12)	(158.31)	(22.45)	-	(9.60)
> -0.99	33	0.00%	(9.36)	(3.74)	(2.24)	(3.38)	-	-
	3,708	100%	$(2,373,152.32)	$(1,977,485.17)	$(214,691.72)	$(113,201.81)	$(48,603.21)	$(19,170.41)

1/3 of all items are < $50 and are only 5% of total $ amt

(Simulated data for illustrative purposes only.)

Using Computer Assisted Audit Techniques For More Effective Compliance Auditing and Monitoring

Important Conclusion By Focus Group:

The use of computer assisted audit techniques (CAATs) is integral to having a truly effective revenue cycle compliance auditing and monitoring program. CAATs greatly advance a compliance function's auditing capabilities.

"Emphasizing a Documented Comprehensive Approach to Compliance Auditing"

Published in March 2005 - *Compliance Today*

"Emphasizing a Documented Comprehensive Approach to Compliance Auditing"

A documented comprehensive approach to compliance auditing should effectively address:

- ❏ Planning the focus of the compliance audit

- ❏ Conducting an opening conference

- ❏ Selecting the sample

- ❏ Writing the report

- ❏ Documenting the audit and follow-up activities

"Emphasizing a Documented Comprehensive Approach to Compliance Auditing"

Important Conclusion By Focus Group:

Following these basic five steps will enable a compliance audit, with an appropriate level of planning, documentation, and communication, to achieve desired objectives as well as facilitate a constructive review process in partnership with the process owner(s) and responsible management.

"Implementing a core set of compliance policies and procedures"

Published in April 2005 - *Compliance Today*

This article focuses on steps necessary to implement a core set of compliance policies & procedures:

- **Determining those policies and procedures most relevant to your organization.**

- **Identifying the various types of compliance policies and procedures.**

- **Establishing the role of the Compliance Officer related to the Implementation of compliance policies and procedures.**

- **Implementing a process for ongoing communication and updating of compliance policies and procedures**

Two Main Categories of Compliance Policies:

I. **Policies Relating to Operation of Compliance Program (CP)**

These policies are typically focused on "operationalizing" the compliance program.

Policies may include information regarding the compliance program itself, the reporting mechanisms that have been established, expectations regarding employee conduct related to various compliance issues, and corrective/disciplinary actions for violations of the code of conduct.

Two Main Categories of Compliance Policies
Continued

II. Policies addressing the organization's significant compliance-related risks (CR)

Healthcare organizations face compliance risks related to numerous and complex regulations. The policies to address these risks may vary based on the type or specialty of an organization.

"Implementing a Core Set of Compliance Policies and Procedures"
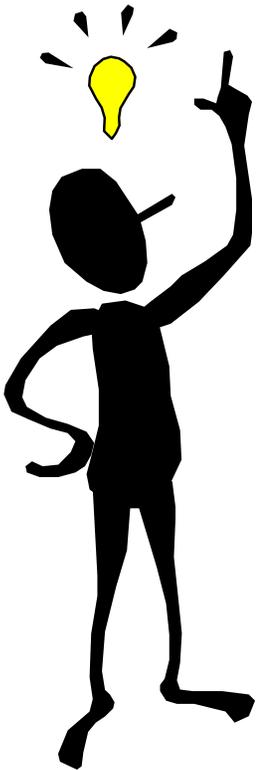
Important Conclusion By Focus Group:

Having the right set of core compliance policies and procedures in your organization is a key driver for assessing effectiveness of your compliance program.

"Compliance Education and Awareness"

To be Published
in May 2005 - *Compliance Today*

"Compliance Education and Awareness"

An effective compliance education and awareness program should be a multi-tiered system that addresses varying levels of employee's learning abilities, available technology and personal preferences.

The program should provide education to these different audiences through multiple channels, while relaying a consistent message.

"Compliance Education and Awareness"

Know Your Audience
- New Employee Orientation
- Physicians
- Departments with very specific needs
- Contractors, vendors, other non-employees

"Compliance Education and Awareness"

Delivery

Conduct a learning needs assessment that includes both specific topics or questions the audience would like covered as well as <u>their preferred learning</u> method.

Current compliance educational methods include: classroom sessions, computer or web-based training, self-study materials, videos, "lunch and learns", presentations at staff meetings, newsletters, e-mail alerts and promotional items. Each of these methods has a role in the effective delivery of compliance training.

"Compliance Education and Awareness"

Important Conclusion By Focus Group:
Have fun with your compliance education.
Look for <u>experts in education of adult
learners within your organization</u> such as
nursing educators, or educators within your
Human Resources department to assist in
the development of a compliance education
and awareness program that recognizes
your employees' learning abilities and
makes the best use of available technology.

Overall Conclusion By Our Focus Group (continued)

Leveraging combined audit and compliance skill sets and experience to provides more value to your organization thru…

- Enhanced compliance risk assessment process
- Computer assisted audit techniques and data analysis
- Dual purpose auditing (compliance and revenue objectives)
- Improved reviews of billing systems
- Improved design of annual compliance plan
- Enhanced identification/ understanding of key controls

Suggestions for Future Activities by the HCCA-AHIA Auditing & Monitoring Focus Group?

Our focus group exists to help members' meet their needs and we are interested in what future activities related to compliance auditing and monitoring would be most beneficial to you?
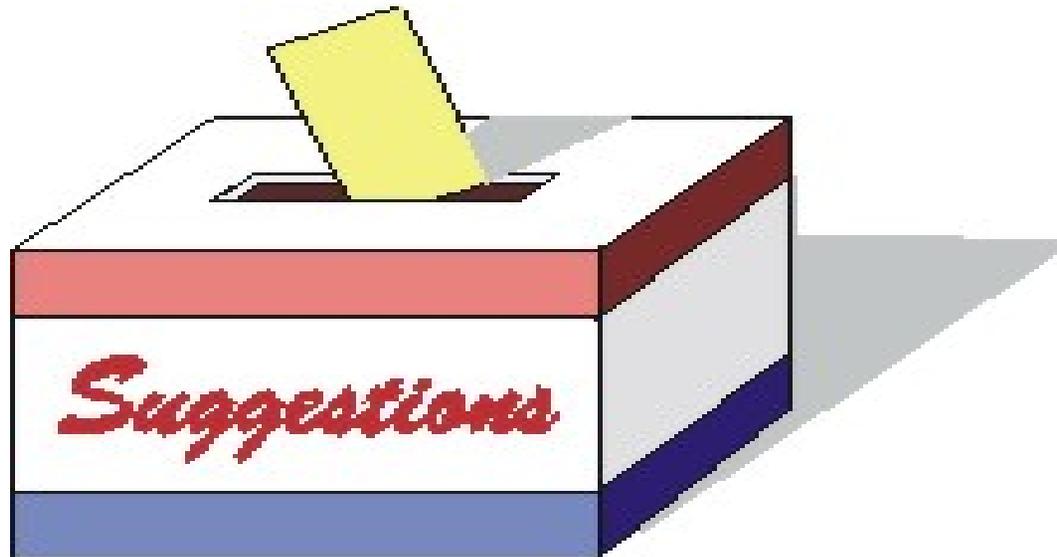
Further Thoughts and Ideas !

Let us know and share…

Thanks!

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