



# Physician Agreements: Internal Audit and Monitoring Strategies

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## Agenda

- Physician agreements and key elements to be aware of
- Contract management key risk areas
- Key areas related to payments to consider in an internal audit
- Internal Audit approach and collaboration with compliance department
- Monitoring activities using data



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# Physician Services Agreements (PSA)

## Examples and Considerations

- In place of employing physician
  - Compensation can be based on wRVU or income guarantee
  - Can be tiered
  - Can include quality or other incentives (often paid on quarterly basis)
  - Can include continuing medical education expenses
- Call coverage
  - Compensation based on # of hours a month or total not to exceed per year



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# Physician Administrative Agreements (PAA)

## Examples and Considerations

- Medical Director
  - Outline MD duties to perform
  - Include the number of hours per month
  - Compensation amount
  - Time recording example (often as an exhibit)
- Recruitment
  - Outline activities related to recruiting activities
  - Reimbursement for expenses incurred
  - Allowable recruiting expenses
  - Any policies / procedures expected to adhere to



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# Lease Agreements

## Characteristics and Considerations

- Can be imbedded in an agreement or standalone
  - Floor plan marked with physician space
  - Include square footage and description
  - Days of week physician use
  - What equipment physician has access to
  - Amount per square foot



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# Contract Management Considerations

- How has the database been set up for use?
- What contract related documents are housed in the database?
- What is housed outside the database and where?
- Policies and procedures surrounding contract management
  - When last updated?
  - Do current processes align to P&Ps



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# Contract Management Considerations Continued

- Who has access to the database (e.g., only contract department staff or also key staff in other departments)?
- Have staff been trained on how to use the database?
- Do contracts have contract numbers for tracking purposes?



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# Payment Considerations

- How is the accounting system set up to record physician agreement payments?
  - Is the contract # included when payments are made?
  - Can a payment be traced back to a specific agreement?
- How does accounting receive time sheets or other documentation of physician time spent related to specific agreements?
- How are agreement terms and conditions tracked (e.g., in a spreadsheet)?



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# Payment Considerations

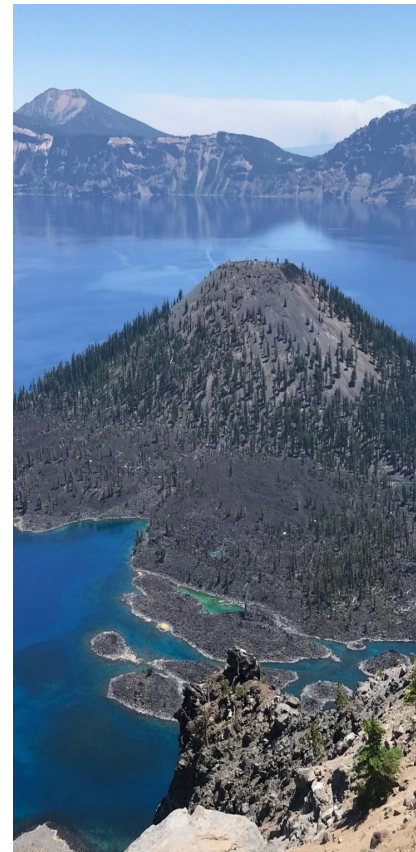
- What reconciliations are performed between the accounting system and any tracking documents or to the contract database?
- What elements is accounting verifying when processing a payment request?
- Policies and procedures surrounding payments
- Do processes align to policies and procedures?



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# Internal Audit Approach and Consideration

- Collaboration with compliance
  - Cadence of meetings to discuss work and IA plan
  - Is a physician agreement topic on compliance's work plan?
  - What is anticipated scope and objective?
  - Timing?
  - Incorporating elements into one project to reduce fatigue to operations

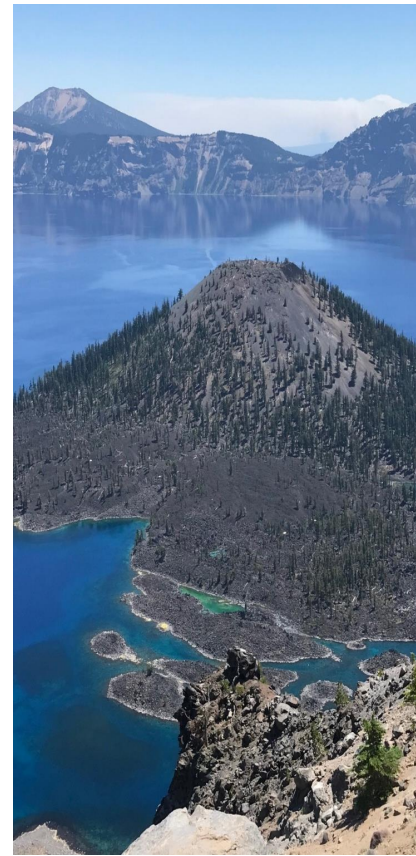


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# Internal Audit Approach and Consideration

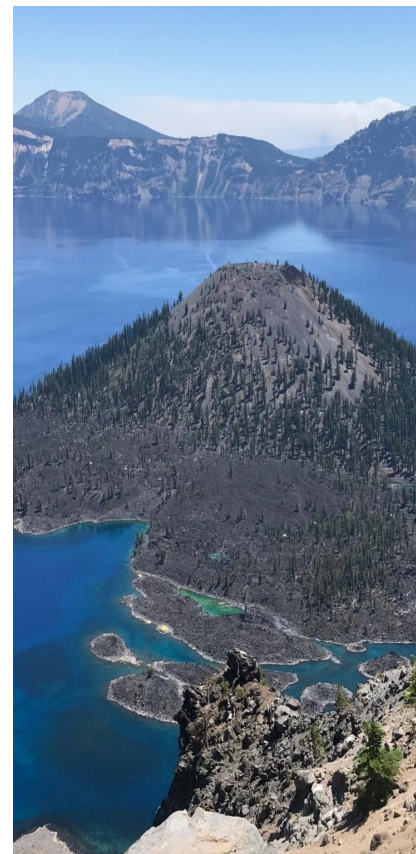
- IA Planning Considerations:
  - Will this IA be under privilege?
  - What types of agreements will be in scope?
  - Breadth of coverage across organization?
  - What time period will be included (e.g., year, six months, etc.)
  - Sample size
    - Objective will matter
    - Some objectives may necessitate testing all payments for a year of an agreement
    - Complexities with some specialties due to how group is paid
    - Data analysis important to understand both agreements and payment structure



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# Internal Audit Approach and Consideration

- Obtain a data report of both physician agreement and contract information (i.e., exclude employed physicians)
- Do a match between payments to verify an associated agreement with each physician or group
- If find a payment that does not trace to a contract, seek legal counsel assistance



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# Internal Audit Approach and Consideration

## Testing Elements to Consider

Test	Rationale
Does a written agreement exist defining the services and compensation?	A written agreement, a fundamental Stark requirement, should clearly define the services to be rendered by the physician and the amounts to be paid.
Is the written agreement current?	The key factor to consider is if the contract expired during the time the services were rendered. Expired contracts have been a focal point for government enforcement efforts. Keep in mind, you may be reviewing a payment today that is associated with an expired contract, but for which the contract was in effect when the services in question were rendered. It's possible that a contract may be in "holdover." Consider working with your Compliance/Legal teams to validate contract effectiveness.
Is the nature of the agreement an employment relationship?	You may identify employed physicians paid through A/P. Employees should be paid through payroll to avoid potential employment tax implications.
Is the agreement signed by all appropriate parties?	A partially executed agreement is not a valid contract and does not meet the requirements of the Stark Law.

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# Internal Audit Approach and Consideration

## Testing Elements to Consider

Test	Rationale
Was the agreement signed on time?	Agreements that are signed months after the effective date are held under scrutiny by the government and could result in penalties. Seek legal counsel's help on determining how "late" a signature can be before posing a significant risk.
Is the agreement's effective period for at least one year?	Stark requires that physician arrangements be effective for at least one year, with limited exceptions (e.g., a one-time CME speaking engagement).
Are the physician's time or services reported or invoiced according to the agreement language?	The appropriate timesheets, call coverage calendars, invoice forms or other documents are appropriately used to support the payment being requested. Many physician contracts will include an exhibit showing the appropriate form to use or outlining the information required to request payment for the services rendered.

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# Internal Audit Approach and Consideration

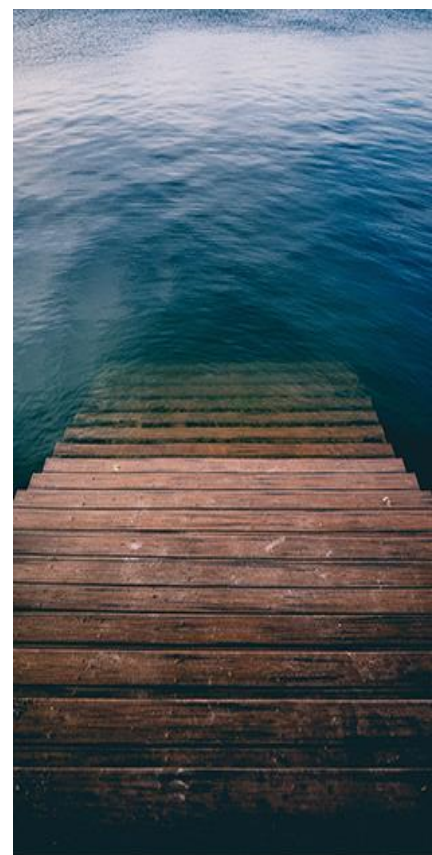
## Testing Elements to Consider

Test	Rationale
Is the payment consistent with the agreement language (e.g., rate, documented min/max hours)?	Congruency should exist between the contract and the requested amounts. Be alert for contractual maximums such as a monthly “not-to-exceed” number of hours that may be incorporated into the contract. Also, beware of calculation errors made when totaling hours, services, days, etc. Required documents may not be adequately reviewed before they are submitted to A/P and payment errors may result.
Is the timesheet and invoice documentation adequate to support the payment made?	Many physician arrangements require the physician to perform a variety of services, not all of which can be spelled out in detail in the contract. Typically, you will see a service description in the contract providing general categories of activities (e.g., quality reviews, education, policy review). The supporting documentation submitted by the physician should reasonably align with the description of contracted services.

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## Monitoring

- Consider a data report that pulls both contract information and payment information to match payment to an associated contract and would provide non-matched results
- Report of payments considering if more than 12 in a year (generally agreements call for monthly payments)



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# Wrap-up

- Consider what physician related agreements your organization has
- Understand your organizations contract management database
- Understand how information flows to the accounting department
- Collaboration between IA and Compliance can be synergistic
- Data analytics is our friend



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Thank you!

Questions?

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# Speaker contact info



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Melaney Scott has over 20 years of combined experience in all facets of GAAP accounting, finance, and auditing. She has experience auditing based on COSO, GASB, GAAS, GAGAS, and IIA standards. Specific experience includes managing the planning, preparation, and execution of risk based financial, federal (Uniform Guidance– Single Audit, regulatory compliance, HIPAA, 340B Drug Pricing Program) audit programs, covering contracting, operational, and financial related audits; leading day-to-day activities of audit teams on complex and multiple audits to ensure audit objectives are met. Her expertise includes physician compensation, policy and procedure review and development, data analytics, procurement to payment cycle, payroll, joint venture agreements, HIPAA Privacy and 340B Drug Pricing Program assessments and program development.