Advancing Healthcare
Crowe Healthcare Summit 2017

The Corner Office Embraces Internal Audit with Millions at Stake

September 19, 2017

Joel Hopkins, Fran Samson, Kelly Smith, Tony Sparacino,
CHAN Healthcare

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Agenda

- Message from the corner office
  - Financial reality
  - Align with corner office strategic goals
  - Assist with financial targets
- Financial Benefits overview
- Specific Financial Benefits
  - Patient status
  - Charge levels (various departments)
  - Charge capture surgery
  - Outsourced hospital departments and revenue cycle
- Closing thoughts

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Financial Reality

- More with less
- Reimbursements challenged
- Quality reporting requirements
- Increasing competition
- Changing regulatory environment

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Alignment with Management Goals and Financial Targets

- Corner office looking enlists internal audit
- Audit plan is aligned with strategic mission
- Budgets and financial targets more important than ever
- Internal audits assist with financial goal attainment

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Financial Benefits

- Financial Benefit defined
  - **Financial Benefits are those findings that result in actual increases in net revenue or decreases in costs that would not have been recognized without the project and will have a positive cash impact to the entity.**
- Key components
- Quantification
- Internal process to maximize value
- Tracking and reporting

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Recent Financial Benefits

Audit	Department	Financial Benefit
Physician Contract Terms	Medical Group	$285,000
Union Contract Payments	Human Resources/Finance & Accounting	$447,000
Duplicate Payments	Accounts Payable	$676,000
340B	Pharmacy	$1,083,000
Laboratory Charge Capture	Laboratory	$1,430,000
Patient Status	**Care Management**	**$4,000,000**
Procedure Charge Levels	**Charge Master/Finance**	**$1,609,000**
Charge Capture	**Surgery Center**	**$1,787,000**
Outsourced Hospital Departments (e.g. Anesthesia)	**Finance/Clinical Operations**	**Various Amounts, plus $250,000**

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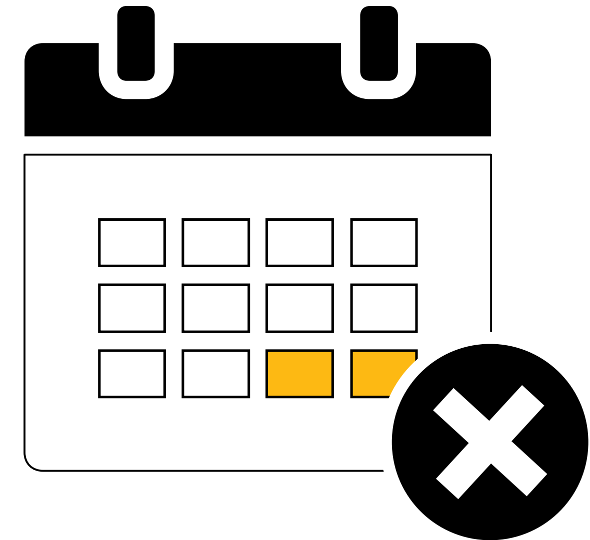
Patient Status - Avoidable Days

Audit Background

- Risks
  - Physician documentation does not support the inpatient stay (i.e., Two-Midnight Rule)
  - Inpatient stays do not meet established clinical criteria
  - Revenue is lost because observation status patients should be inpatient
  - Inpatient stays are not optimized/minimized, leading to greater expense without additional reimbursement
- Testing
  - Clinical auditor examined documentation for:
    - Inpatient stays less than 2 days – should they be observation?
    - Observation stays greater than 3 days – should they be inpatient?
    - Inpatient stays of greater than 15 days – could the patient’s stay have been shorter?



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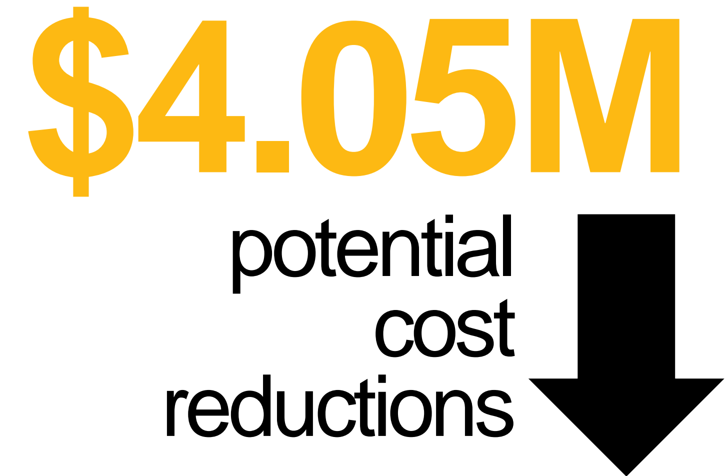
Patient Status - Avoidable Days

Findings

- Two midnight documentation was lacking
- Patients were discharged with the incorrect status
- Inpatient status did not always meet clinical criteria
- Avoidable days were not recorded and monitored. Additionally, Inpatient days were not optimized/minimized. As a result, opportunities for reduction of avoidable days could not be easily identified and acted upon.



Overall potential cost reductions from reducing unnecessary inpatient days were identified to be approximately $4.05M annually.

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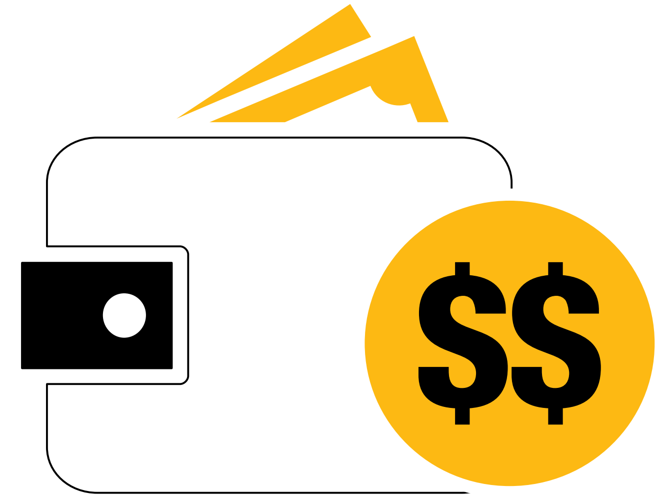
Pricing Below APC Reimbursement Rates



Audit Background

- Risks
  - Charge Description Master (CDM) pricing does not reflect the Ambulatory Payment Classification (APC) rate
  - Potential lost net revenues because payors do not pay more than the amount charged by the facility
  - Internal processes do not exist to review annually adjusted APC rates so that the CDM is updated timely
  - APC reimbursement rate calculation is complex and can be different for each facility
- Testing
  - Utilized Data Analytics CDM Toolkit to calculate the APC rate for Current Procedural Terminology (CPT) codes
  - Compared the calculated APC rate to the CDM price and identified those CDM items that were below the calculated APC rate
  - Obtained revenue and usage data to calculate lost revenue amount

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Pricing Below APC Reimbursement Rates

Example

Revenue Code	Service Description	CPT/HCPS Code	Charge Amount	Labor-Adjusted	Difference b/w CDM	CMS APC Assignment	CMS Status Indicator
361	HC INS RPL PACE LEAD DUAL	33208	$ 12,419.81	$ 13,806.81	$ 1,387.00	5223	J1
361	HC THROMB VENOUS W FLUORO	37187	$ 3,779.91	$ 5,755.66	$ 1,975.75	5183	T
361	HC BILIARY INJ W GD EXIST ACCESS	47531	$ 1,487.03	$ 4,198.72	$ 2,711.69	5341	Q2
361	HC BILIARY CHANGE CATHETER	47536	$ 3,693.04	$ 4,198.72	$ 505.68	5341	J1
361	HC EXTERNAL VERSION	59412	$ 1,671.26	$ 3,058.72	$ 1,387.46	5414	J1
323	HC ANGIOGRAM PELVIS S/I	75736	$ 3,084.70	$ 5,755.66	$ 2,670.96	5183	Q2
320	HC RAD EXAM SURGICAL SPECIMEN	76098	$ 623.04	$ 659.54	$ 36.50	5524	Q2
300	HC BLOOD TYPING ABO	86900	$ 61.38	$ 80.01	$ 18.63	5733	Q1
300	HC BLD TYPING AG DONOR EA AG TEST	86902	$ 113.99	$ 269.89	$ 155.90	5673	Q1
300	HC BLOOD TYPING RBC AG ON PT EA	86905	$ 113.99	$ 269.89	$ 155.90	5673	Q1
410	HC INHALATION TREATMENT	94640	$ 230.67	$ 237.72	$ 7.05	5791	Q1
410	HC INHALATION TREATMENT SUBSEQUENT	94640	$ 217.80	$ 237.72	$ 19.92	5791	Q1

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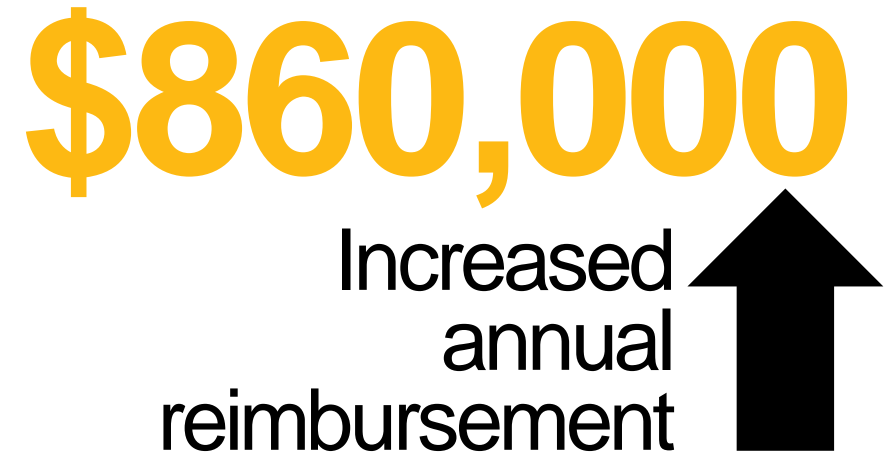
Pricing Below APC Reimbursement Rates

Findings

- 250 CPT codes were priced below 2017 APC reimbursement rates
- Lost revenues totaled $287,000 for 104 CPT codes



Increased annual reimbursement estimated to be $860,000 for 2017

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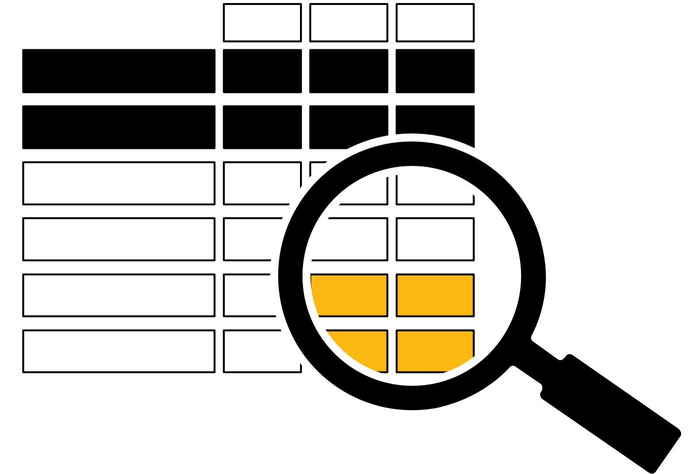
Pain Center Charges Below the Fee Schedule

Audit Background

- Risks
  - Expensive outpatient treatments missed or under-charged
  - Growing practices as the population ages and new treatment technologies emerge to treat chronic pain
  - Adding Physicians due to the practice growing
  - Variance of Process
- Testing
  - Obtain detailed billing activity
  - Analyze data for unusual trends
  - Identify anomalies (e.g., charges equaled reimbursement)
  - Detail testing of suspicious items
  - Summarize and quantified results



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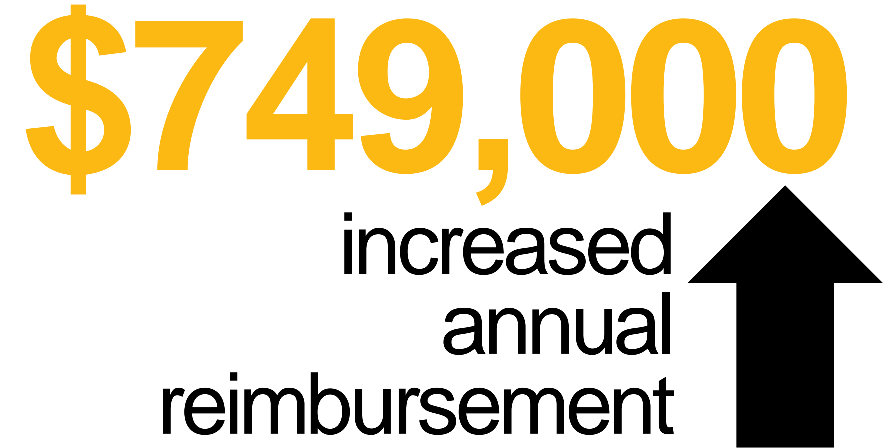
Pain Center Charges Below the Fee Schedule

Findings

- Controls to monitor pricing were not well designed
- Charges were below the fee schedule



$749,000 increased annual reimbursement

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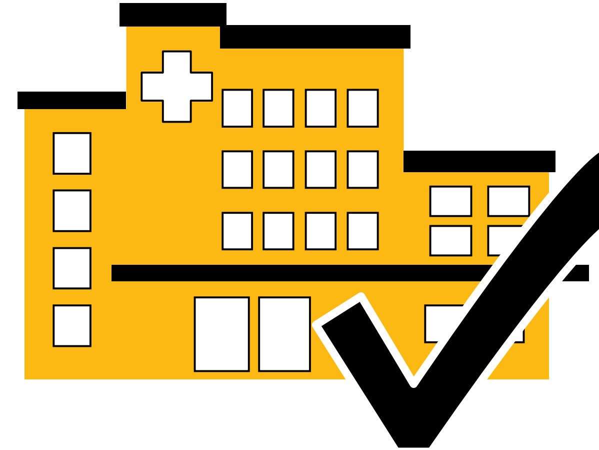
Surgery Charge Completeness and Accuracy

Audit Background



- Risks
  - Data interface errors cause exceptions
  - Services, implants or supplies are not captured and charged appropriately
  - Implants and devices are not adequately tracked
  - CDM misalignment results in inaccurate charges or missed reimbursement
- Testing
  - Validate control procedures performed for multiple processes
  - Validate accuracy and completeness of reports synthesized by our Data Analytics Team
  - Test samples of inpatient and outpatient implant, service and supply charge exceptions for multiple hospital facilities

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Surgery Charge Completeness and Accuracy

Findings

- Late charge reporting not reviewed regularly
- Charge reconciliations not performed timely
- Missing recovery room, implant and stent charges
  - 130k annual revenue opportunity based on 15% average net-to-gross
- Anesthesia or sedation procedures not charged accurately
  - $1.66M annual revenue opportunity based on 15% net-to-gross

Annual reimbursement improvements equaled $1,787,000

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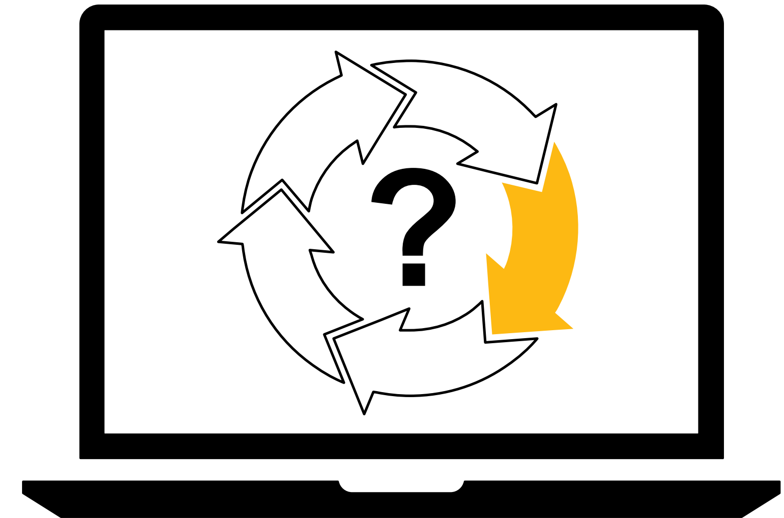
Outsourced Departments and Revenue Cycle

Audit Background

- Risks

  Revenue cycle controls are incomplete or inappropriate:
  - Interfaced data is incomplete
  - Coding processes are not effective
  - Reimbursement rates are not accurate or complete
  - Denials and write-offs not well controlled or minimize
- Testing
  - Obtain and examine documented revenue cycle processes
  - Test if internal controls were at an acceptable level
  - Evaluate detailed AR Aging and write-offs for unusual items or patterns



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Outsourced Departments and Revenue Cycle

Findings

- Reimbursements were not checked for accuracy
- Denials were not appropriately monitored
- High levels of write-offs related to physicians not credentialed timely

$250K missed reimbursement identified

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Closing Thoughts

- Audits are a great place to identify Financial Benefit
- All audits present the opportunity for Financial Benefits to be identified
- It is not just controls anymore
- Assisting management with financial goals strengthens the bonds with audit
- Proprietary scrips are utilized in most of the Financial Benefits identified
- The noted Financial Benefits re-occur year after year

If anyone would like more information related to the Financial Benefits mentioned but not illustrated here today please reach out to us and we can discuss your circumstances.

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Contact Information

Tony Sparacino
1 (414) 732 5729
asparacino@chanllc.com

Joel Hopkins
1 (423) 495 8036
Joel.hopkins@chanllc.com

Fran Samson
+1 (719) 776 4515
fsamson@chanllc.com

Kelly Smith
ksmith@chanllc.com
+1 (205) 7067021

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