

MANAGED CARE

OUTLOOK

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The Tides Are Shifting Once Again for Managed Care

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The renewed focus on managed care underscores the importance for managed care organizations (MCOs) to focus on managing risks. Specifically, given the regulatory climate and the heightened public scrutiny on health insurance due to the Affordable Care Act, this regulatory spotlight is not likely to dim. Furthermore, regulatory requirements¹ call for Medicare MCOs to establish and implement an effective system for routine monitoring and identification of compliance risks. It is expected that they will develop ongoing monitoring and auditing work plans and that key participants will be the compliance officer and the compliance committee.

Has your MCO established and implemented procedures “to conduct a formal baseline assessment” of your organization’s major compliance and fraud, waste, and abuse risk areas?

The Centers for Medicare & Medicaid Services (CMS) has provided some guidance in this area in its Medicare Managed Care Manual that states that organizations must:

establish and implement policies and procedures to conduct a formal baseline assessment of the sponsor’s major compliance and Fraud, Waste, and Abuse risk areas, such as through a risk assessment. The sponsor’s assessment must take into account all Medicare business operational areas. Each operational area must be assessed for the types and levels of risks the area presents to the Medicare program and to the sponsor.

The approach to risk assessment must be a reasonable one. Also outlined in the Manual are some of the factors that you should consider in determining the risks associated with each area. Resources are not limitless. Therefore, some considerations, for instance, may include the overall size and breadth of the department, complexity of the work being performed, the amount of training or mitigating factors that you can reasonably rely upon, past compliance issues, results of external and internal auditing and monitoring outcomes, and of course... budget.

Consider Implementing a Four Step Process to Risk Assessment

Step 1: Risk Assessment (Internal, External)

One of the first steps is to develop a risk universe. For instance, a good starting point may include the Manual itself. The Manual identifies areas of particular concern for Medicare Parts C and D sponsors to include: “marketing and enrollment violations, agent/broker misrepresentation, selective marketing, enrollment/disenrollment noncompliance, credentialing, quality assessment, appeals and grievance procedures, benefit/formulary administration, transition policy, protected classes policy, utilization management, accuracy of claims processing, detection of potentially fraudulent claims, and First tier, Downstream, and Related oversight and monitoring.”

In developing a fulsome universe, consider identifying both internal and external sources of information. Internal sources may include the results of auditing and monitoring

initiatives, or complaints. External sources may include the numerous Office of Inspector General (OIG) publications, CMS guidance, and contractor activities. This is particularly true of the new Medicare Advantage Recovery Audit Contractors set to take the stage in 2014.

Tip: Categorize risks into manageable subsets of data. In categorizing risks, consider the vulnerability or likelihood that they might become a problem. Once a universe is identified, then you and your compliance team can implement a reasonable plan to prioritize assessing them. Based on the results and sources of your risk identification process, conducting a probability and impact analysis will facilitate prioritizing your risks.

Tip: Don't get bogged down in process. Develop a multiple year plan that focuses on the highest risk areas first and address a manageable number of risks for each year in the plan. You can always update the work plan on an ongoing basis (*i.e.*, the work plan may need to be revised based on risks or issues that arise with relative urgency for your organization).

Step 2: Risk Remediation (Implement Internal Controls)

Once your risks have been identified and categorized, it is important to develop a remediation work plan that will facilitate managing and putting your risk assessment process in motion. This would include determining the rules relating to those risk areas. Once this has been done, it is important to develop a tool that outlines all applicable, federal, state, and contractual requirements in relation to the risk area under scrutiny. This process should be designed so that follow up actions will be manageable. Once all this has been done, then the next step is to revise and develop new operations, policies, and procedures.

Step 3: Risk Area Auditing (Highest Risk Areas)

Using a multiple year plan in managing a number of risks will make the process more manageable. Key to all this is development and implementation of written guidance (policies and procedures). These need to be tested to

verify they are working and validated to ensure they are effective. Conducting targeted audits of the specific risks remediated in Step 2 will help determine whether the effort was successful. If not, develop a corrective action plan to address the identified areas of concern. Once edits and modifications have been made, then consider retesting to determine if implementation was successful.

Step 4: Risk Reporting (Board and Executive Staff)

Lastly, the results of the risk analysis and abatement efforts should be reported to the executive leadership and the board. Report on the highest risks that were identified and prioritized; whether risks were remediated; the effectiveness of remediation through auditing and monitoring; and the corrective action plans that were implemented.

It is sometimes difficult to demonstrate the effectiveness of any compliance program. This is a great opportunity for compliance professionals to identify and highlight the successful and proactive measures your compliance department is taking to ensure the success of the organization.

In conclusion, risk assessment is something that all MCOs must undertake in some form. Consider implementing a reasonable and manageable four-step process to mitigate identified compliance concerns.

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Other articles of interest include "Taking Control of the CMS Managed Care Audit Process" available at www.compliance.com/articles/taking-control-of-the-cms-managed-care-audit-process and "Medicare Part D Compliance: A Day of Reckoning Approaches" available at www.compliance.com/medicare-medicaid/medicare-part-d-compliance. ■

Endnote:

1. Chapter 21 of the Medicare Managed Care Manual § 50.6.2 and §§ 422.503(b)(4)(vi)(E)(F), 423.504(b)(4)(vi)(E)(F).

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