STRATEGIC MANAGEMENT SERVICES

Claims Processing Is a High-Risk Compliance Area

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Key Points:

- **Claims processing remains a high-priority risk area for compliance officers.**
- **Ongoing monitoring of claims processing is the responsibility of program managers, not compliance officers.**
- **Auditing must be conducted by parties independent of the operation being reviewed.**
- **A Quality Assurance Program (QAP) with Quality Control Reviews (QCRs) is critical to identifying and reducing errors.**
- **Questions compliance officers can ask as part of ongoing auditing are outlined below.**

Claims development and submission was highlighted as a primary compliance high-risk area by the Department of Health and Human Services Office of Inspector General (OIG) in its compliance guidance for various health care entities. The OIG points out that this is one area where compliance program effectiveness can be evidenced and benchmarked. Government oversight agencies and their contractors frequently make huge monetary demands as a result of identifying patterns of errors in claims submission. Both the Department of Justice (DOJ) and OIG have made false claims cases one of their top enforcement priorities.

It is important to note that program managers should be responsible for ongoing monitoring for compliance risks in their operational areas, including claims processing, submission, and reimbursement. Ongoing monitoring is not the compliance officer's responsibility. Program managers are the most knowledgeable about their own operations and should: (a) keep track of changes in payment rules and regulations; (b) translate those changes into written guidance (e.g., policies and procedures) that act as internal controls; (c) train their teams on the written guidance; and (d) monitor to ensure that their teams are properly following that guidance. All of this should be part of a claims processing quality assurance program (QAP) that includes quality control reviews (QCRs) that randomly select claims for "real time" testing for errors before

submission for payment. Analyzing QRC data can detect coding errors and link them to: (a) a need for additional instruction in a particular area, (b) problems with individual coders, or (c) physician documentation or legibility problems. The findings can be used to develop focused educational programs to improve coding and billing accuracy and limit audit exposure.

Errors should also be tracked to identify the specific individual who made the mistake and determine whether the error is part of a pattern. Any pattern of errors that emerges should be investigated. As noted above, this may necessitate retraining of those causing the errors and administering disciplinary action.

The OIG advises that performance of benchmarking analyses (such as a QAP with ongoing QCRs) can generate a baseline for evidencing compliance improvement. These analyses can also be used to maintain trending information and help identify root causes of errors and denials. They can also be used to track improvements in error reduction. This is where auditing needs to be actively engaged. Audits need to be conducted by parties independent of the operation being reviewed. Auditors should focus on verifying that program managers are meeting their ongoing monitoring responsibilities; they should also confirm that these practices are reducing error rates.

Questions Compliance Officers Should Consider Asking

1. Have controls been established for all regulatory issues relating to billing and coding?
2. Is there a process to keep track of statutory and regulatory changes affecting operations?
3. How are coding and billing staff being kept apprised of changes in rules and regulations?
4. Do internal controls, policies, and procedures address changes in rules and regulations?
5. How is the staff being trained on changes in policies and procedures?
6. Are policies and procedures scheduled for review and updated regularly?
7. Are coders being tested to confirm that they understand the written guidance?

8. Are coders monitored to verify that they are carrying out their responsibilities under the rules?
9. Are all errors tracked to identify any emerging patterns with respect to diagnosis-related group (DRG) assignment by coders, physicians, etc.?
10. Are identified weaknesses remedied by control changes, education, and corrective actions?
11. Is there follow-up testing to verify that control deficiency remedies are effective?
12. Is there a QAP that includes ongoing QCRs?
13. Are educational contacts made whenever someone makes a billing error?
14. Where individuals are found to be error prone, are they required to undergo refresher training?
15. If a pattern of error is discovered around coding or DRG assignment, is it investigated to determine the cause?
16. Is trending data maintained on error rates by DRG assignment, coder, and physician?
17. Is there an annual audit plan to review billing and coding?
18. Do the audits address the effectiveness of monitoring practices?
19. Do audits validate reduced error rates, costs of correction, and mitigation of liability exposure?
20. Has there been a reduction in error rates over time as a result of ongoing monitoring efforts?

For more information on this subject, see "Tips for Ongoing Monitoring and Auditing of Compliance Risk Areas" or contact Richard Kusserow at rkusserow@strategicm.com.