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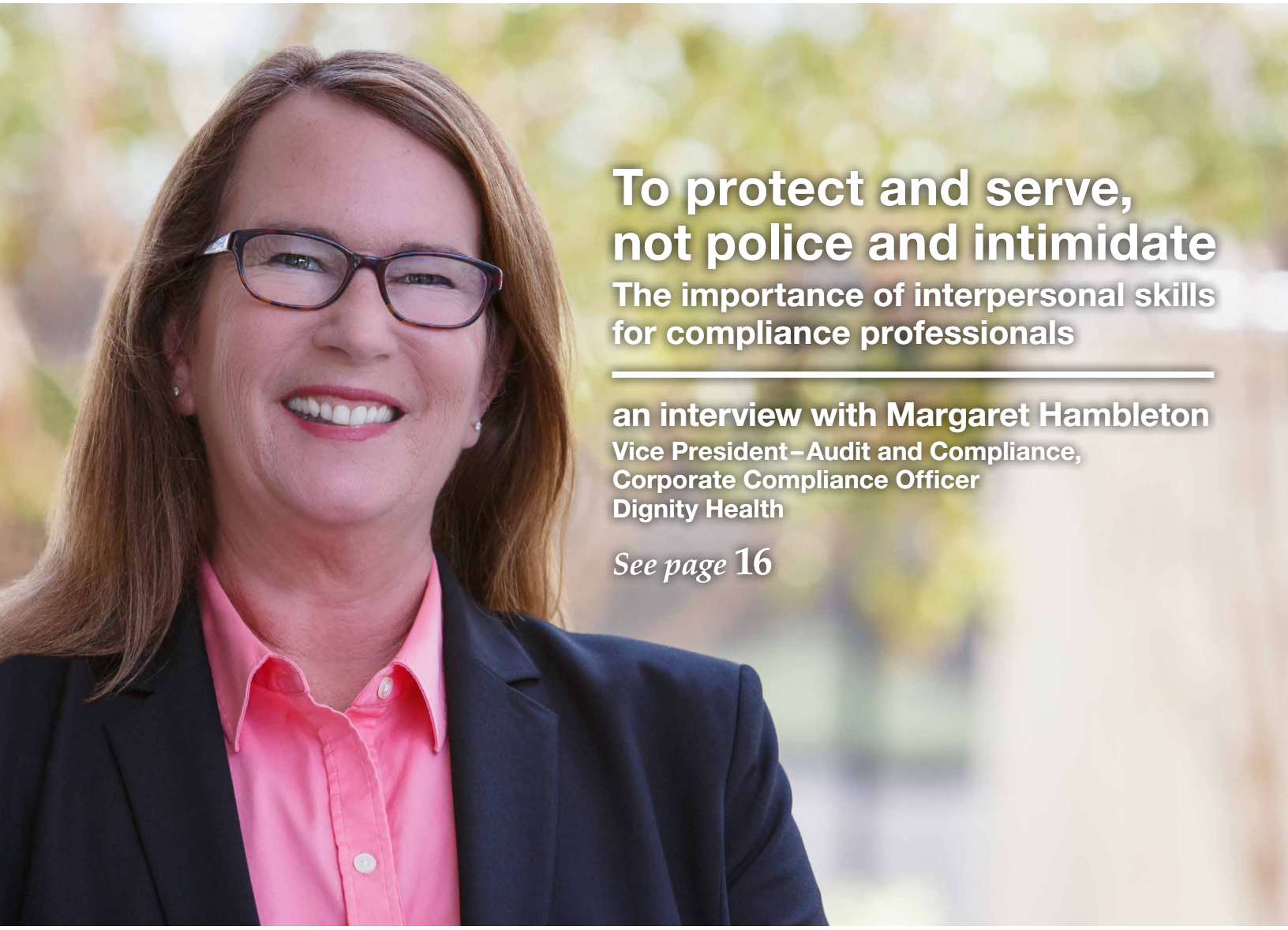

To protect and serve, not police and intimidate

The importance of interpersonal skills for compliance professionals

an interview with Margaret Hambleton

Vice President–Audit and Compliance,
Corporate Compliance Officer
Dignity Health

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by Melissa Morris

Building an auditing and monitoring process: No need to start from scratch

» Let your risk areas drive auditing and monitoring.
» Leverage both internal and external existing audits.
» Keep business unit stakeholders heavily involved.
» Reinforce corporate compliance program objectives.
» Don't be overcome by the documentation process.

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When my organization implemented a corporate compliance program, we followed a standard, tried-and-true formula by performing a compliance gap analysis, formally assessing compliance-related business risks, and appointing a compliance officer and committee. We followed best practices and successfully leveraged many sources of guidance on effective compliance programs, including those from The Health Care Compliance Association (HCCA). When it came to considering the audit and monitoring portion of our compliance program, however, things became a little more overwhelming, because existing guidance was not a great fit for our place in the healthcare industry. For me, centralized auditing and monitoring became the biggest challenge in the entire project, with the task challenging my subject matter expertise in all business areas and little helpful guidance from which to learn. It is my hope that this article serves to encourage other newcomers, or those in unique sectors of the industry, who are struggling in their own efforts to address the auditing and monitoring aspects of a corporate compliance program.

Morris

First, a brief overview about my organization so you can appreciate the full scope of our compliance efforts. I work in a compliance capacity for an organization that primarily serves workers' compensation claimants with medical equipment and pharmacy benefit management services, billing workers' compensation payers for the services we render on their behalf. We are a national organization serving payers in each state and are subject to each state's unique statutes and regulations related to the provision of medical services to injured parties. In addition, our payer contracts establish additional obligations ranging from the fees we charge to the timeframes in which we provide service. Finally, we maintain national accreditations over both the medical equipment and pharmacy benefit management books of business that influence our policies, practices, and procedures. The nature and extent of our risk areas are no smaller than other healthcare entities, despite the fact that our risks may vary by type of payer.

Gaps in existing guidance

Because of our unique place in the healthcare industry, few, if any, existing resources could be seamlessly applied to our own auditing and monitoring program. For example, the Office of Inspector General's *Compliance Program Guidance for the Durable Medical Equipment, Prosthetics, Orthotics and Supply Industry*[1] was one of the main resources used in the construction of our initial gap analysis; however, this guidance placed heavy emphasis on federal and state healthcare statutes that were largely inapplicable to our business model. Likewise, most of the guidance available on websites provided descriptions of relatively obvious auditing and monitoring efforts that any healthcare entity would surely wish to incorporate in their program (i.e., billing/receivables, medical necessity, and complaints). Such insight, while relevant, did not go deep enough for our needs.

> …each organization faces certain "standard" risks as well as those that are specific to your business.

Eventually, it became clear that we would be mostly on our own in establishing a formalized and appropriate auditing and monitoring program at our organization, and we needed a strategic effort in pursuit of this phase of the project. Below I describe the steps I followed in order to ensure that our auditing and monitoring program covered our major risk areas, while continuing to reassess whether current auditing efforts continue to sufficiently prevent or detect on-going risk to the business. Prior to jumping into the detail, I should point that there are two key points about the approach that you should understand.

First, I believe that your current risk assessment should be the primary resource to determine what the necessary auditing and monitoring efforts are at your organization. Regardless of your place in the healthcare industry, each organization faces certain "standard" risks as well as those that are specific to your business. Once you quantify compliance risks by scoring the severity, likelihood/probability, and strength of controls, you can use these risk scores to determine the nature and extent of audits that may be appropriate for the risk. This piece is not intended to describe the risk assessment process in any amount of detail, but without an objective understanding of risk, your auditing and monitoring efforts will likely fall short.

Second, as a company veteran and someone who worked cross-functionally with almost every business unit on other projects, I was well aware that we were not without a multitude of audits and controls—particularly at key areas of risk within the organization. Our company pursues multiple credentials and undergoes voluntary independent audits annually over our control matrices, ranging from financials to information technology to security and within our various program offerings. Through this experience, and by having been an owner or stakeholder of many of these projects, it was evident that I would need to get "elbow deep" in some of the recent audit reports to further understand the scope of current efforts.

The steps taken

I began with what I knew best—the audits and controls currently in place, and related to documentation regularly submitted to our accrediting organizations. Within the massive amounts of documents used for these purposes, I was able to locate a number of

processes that spoke to controls to prevent, detect, or correct potential fraud, waste, or abuse in specific risks areas. Examples include various mandatory employee trainings, prescriber and provider credentialing procedures, pre-employment screenings, and our quality assurance program. I listed these controls in a spreadsheet, indicating whether they were prevention, detection, or correction strategies. Additionally, because my organization has several distinct and separate service lines, I indicated the scope of the control, because many were specific to a particular line of business. Things were off to a good start.

Unfortunately, accreditation-based auditing and monitoring controls typically do not delve deeply into the financial or reimbursement functions of our organization; I needed another approach to address these areas. Luckily, in additional to annual audited financials, our organization also undergoes Service Organization Controls (SOC) Report auditing on an annual basis by an independent accounting firm. The scope of this audit pertains to financial controls by service organizations for adding additional assurances to our user entities' for their own financial reporting. And while a SOC report places heavy emphasis on financial and security controls, it also describes the nature and extent of other controls that are relevant to compliance, such as quality assurance, information security, or physical security. The report also speaks directly to fraud, waste, and abuse prevention or detection, both within the billing and reimbursement cycles as well as within the delivery of medical services. Additionally, the SOC report acts as a mechanism to independently validate the effectiveness of controls within the scope of the audit. In other words, this report not only served as a cheat sheet for understanding financial controls within the organization, but it also offered a welcome starting point for evaluating the effectiveness of the organization's auditing and monitoring controls by advantageously describing how specific controls are tested by the auditor organization. The report can serve as a useful guide for creating additional control tests later on in the process. Our auditing and monitoring program was taking shape.

Next, I turned to tap the expertise of business unit stakeholders who understand the auditing and monitoring controls at a granular level. It was not only key for me to meet with business owners to discuss the purpose and frequency of audits, but it was also important to understand follow-ups or corrective action strategies if a result fell below benchmark as part of the documentation effort. From my perspective, this was also a chance to communicate and reiterate the goals of our corporate compliance program. For example, many of our audits and controls existed historically within the organization for quite some time as support mechanisms for key business processes, but business owners did not see these processes as ones that naturally support or reinforce corporate compliance objectives. These meetings thus presented an opportunity to demonstrate to the business owners that their role in supporting the compliance of the organization is both crucial and direct.

Requisite information in hand, it was now time to effectively document the auditing and monitoring process. Care would be needed to ensure it was completed in a format that directly supported our overall corporate compliance program. Surprisingly, this proved a bit more challenging than I would have anticipated, and required that I take several different approaches to address this. First, I created a detailed spreadsheet that listed key elements of effective compliance programs in accordance with various guidance and standards we used as the foundation of our program, in the first column. Next, I addressed the key risk areas that tied directly to our

annual risk assessment. In the second column, I briefly described the controls or audits that specifically corresponded to those criteria or risks. For instance, if a key risk area involved medical necessity documentation in column one, in the second column I described our controls and audits around medical necessity through regular quality assurance program audits on files worked by our staff.

Then I added a third column wherein I described the manner in which the control objectives could or should be monitored, based on the nature of the risk. For example, if a key element of the compliance program requires at least quarterly meetings of the compliance committee, a quarterly audit of committee meetings could be used to validate that this occurs. In a more detailed example related to medical necessity, a quarterly audit would not be nearly sufficient to cover the extent of the risk. This risk is monitored on an on-going basis with weekly audits and at least monthly reporting to leadership. The SOC reports became particularly helpful to this process, as those reports described existing approaches to audits. In addition, where we may have found existing monitoring and auditing efforts to be insufficient or otherwise absent, these reports provided some helpful guidance in structuring the frequency of the audits and how they will be verified on an on-going basis.

The end result

As I completed the first iteration of a centralized auditing and monitoring spreadsheet, it felt as though I had reached a first milestone. I had also identified where there were opportunities to expand and mature our efforts and felt confident that all major risk areas of the company had been addressed via at least one control and audit.

On this point, a word to the wise: The documentation process has the potential to become extremely detailed and overwhelming.

My advice is to start with no more than four or five columns across to generally describe control and audit processes using one or two brief sentences. You have an opportunity to expand upon describing audits and monitoring efforts in more detail after the initial table is complete. Also, let the initial iteration help you understand where gaps may exist in current auditing and monitoring. Are current audits sufficient against the nature and extent of the risk? Are all key elements of a risk covered? This spreadsheet is very helpful in beginning to assess and understand these potential gaps, but this is another opportunity to leverage the expertise of business owners across your organization that are well positioned to further discuss key weaknesses or identify opportunities for improvement. There will always be room for process evolution and improvement as processes become more sophisticated. A solid, foundational spreadsheet is key to pushing forward, but don't let the pursuit of every little detail overcome you—all things have to start somewhere. Following a deliberate and informed process, such as that shared in this piece, can help ensure the first step is a great one.

In addition to reaching an important milestone, my understanding of these various controls and audits grew throughout this process. I could now proceed with further understanding the effectiveness of audits in controlling for and monitoring risk, or making recommendations about how we could further advance. In this there is a sense of both accomplishment and relief in having completed a first draft of a centralized auditing and monitoring report. The "heavy lifting" is now complete, and I feel prepared for building upon my initial report. The ultimate goal is to be certain we are monitoring and auditing against compliance-based risk.

1. Office of Inspector General, Notice. "Publication of OIG Compliance Program Guidance for the Durable Medical Equipment, Prosthetics, Orthotics and Supply Industry," *Federal Register*, vol. 64, no. 128, July 6, 1999: 36368. Available at http://1.usa.gov/1rJ5Lmf