Examining Compliance from an Internal Audit Perspective

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Houston Methodist
Who We Are

About Houston Methodist
- A leading Academic Medical Center
- 7 Hospitals (building an 8th)
- $3.4B Net Revenue
- 20,000 employees
- 2,043 operating beds
- 4,500 affiliated physicians
- Physician Organizations 572 physicians
- AA Bond Rating

Rankings (U.S. News and World Report)
- Ranked #1 in Texas
- Ranked in 11 of 16 Specialties
- Official Healthcare Provider
Internal Audit & Compliance
2016 Organization Chart

- Business Practices (Compliance) 8.5 FTEs
- Internal Audit 9.5 FTEs
- Physician Organizations Compliance 10 FTEs

Director, Business Practices
Manager, Privacy Program
Privacy Specialist
Senior Business Practices Analyst
Senior Business Practices Analyst
Senior Business Practices Analyst
Medical Audit Specialist * Shared with Internal Audit
Senior Business Practices Analyst
Business Practices Coordinator

Director, Internal Audit
Manager, Information Systems Auditor
Manager, Internal Auditor
Lead Internal Auditor
Senior Information Systems Auditor
Senior Internal Auditor
Senior Internal Auditor
Senior Internal Auditor
Internal Auditor

Director, HMSPG/PCG Compliance
Manager, Compliance Coding Analyst
Senior Compliance Coding Analyst
Senior Compliance Coding Analyst
Senior Compliance Coding Analyst
Compliance Coding Analyst
Compliance Coding Analyst
Compliance Coding Analyst
Compliance Coding Analyst
Project Assistant

Executive Secretary

Internal Audit & Compliance
Recognition

Association of Healthcare Internal Auditors
• 2011 Houston Methodist Institutional Award

Health Ethics Trust – Best Compliance Practices
• 2008 Training & Education
• 2014 Auditing & Monitoring & OIG Risk Assessment

FairWarning – Recognition
• 2013 Professional Achievement Level
Objectives

- Learn how to examine compliance risks using an internal audit approach
- Examine audit approaches and techniques for compliance risk areas
- Identify when to use Data Analytics in a compliance audit

Identifying Compliance Risks

Consider these and other sources:

- Review Work Plan
- Mechanical Ventilation
- Medicare Compliance Reviews
- Credits Replaced Medical Devices
- Incorrectly Billed DRGs

- Government Enforcement Initiatives
  - DOJ Settlements
  - OCR Enforcement
  - Attorney General Actions

- Evaluate Emerging Risks
  - Hacking
  - Medical Devices
  - Ransomware

- OIG Work Plan
- Risk Universe
- Selection of Compliance Risks
  - Based on professional judgment, review of risk, prior assessments, and Methodist experience

- Government Initiatives
- Accreditation Bodies
- Business Practices Committee

- Internal Audit
- Monitor activity
- Monitoring and Assessment Plan

- Evaluate Accreditation Reviews
  - DNV or Joint Commission Survey
  - CLIA Reviews
  - HRSA 340B Audits

- Assess Regulatory Changes
  - Two Midnight Rule
  - 60 Day Repayment Rule
  - Meaningful Use
  - HIPAA Privacy
Risk Assessment

Assign Risk Ratings

- Assign Risk Ratings to compliance areas
  - Impact: What is the impact that something goes wrong
  - Likelihood: What is the likelihood that it will go wrong

<table>
<thead>
<tr>
<th>Impact</th>
<th>6</th>
<th>8</th>
<th>9</th>
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</table>

Developing the Audit

Scope Setting and Planning

- Define Scope
  - Consult Legal and Compliance
- Gain an understanding of requirements
  - Review policies, laws and regulations
- Document process flows
  - Conduct interviews
- Identify the key risks and controls
- Develop audit testing procedures
  - Obtain sufficient competent evidence
  - Test Transactions (Random, Probe, Judgmental)
  - Document exceptions

https://na.theiia.org/standards-guidance/Pages/New-IPPF.aspx
Mechanical Ventilation
Getting started – Gain an understanding

• Review the OIG Work Plan description
  For certain DRGs to qualify for Medicare coverage, a patient must receive 96 or more hours of mechanical ventilation. Our review will include claims for beneficiaries who received over 96 hours of mechanical ventilation.

• Review OIG reports
  – For MS-DRGs 207 and 870 to be assigned to a claim, a beneficiary must have received 96 or more hours of mechanical ventilation. A hospital indicates that a beneficiary has met this requirement by using procedure code 96.72 (5A1955Z - ICD10).

• Consult your Compliance counterparts

Example http://oig.hhs.gov/oas/reports/region9/91202066.pdf

Mechanical Ventilation
Documenting the process flow

• Document Process Flows
  – Meet with the Coding Staff to understand how they determine when to assign the > 96 hour ventilation procedure code
  – Meet with the Respiratory Therapy Staff to understand how they charge for ventilation

• Identify any weaknesses in the process flows
  – What is the risk that the incorrect number of hours are charged for mechanical ventilation and/or coding could incorrectly assign the > 96 hour ventilation procedure code
Mechanical Ventilation
Develop testing approach and methodology

- Identify the Medicare Patients that were assigned the MS-DRG 207 or 870
- Determine methodology test: 100% Test vs. Sampling
- Consider these sampling approaches:
  - Statistical Sampling: Statistical sampling allows the auditor to draw conclusions supported by arithmetic confidence levels
  - Judgmental Sampling: may be used when results are needed quickly to confirm a condition or controls effectiveness and are not projected to a population
  - Discovery Sampling: Covers those institutions that are governed by a Corporate Integrity Agreement. [http://oig.hhs.gov/faqs/corporate-integrity-agreements-faq.asp](http://oig.hhs.gov/faqs/corporate-integrity-agreements-faq.asp)
    – Discovery (Probe) Sample 50 vs Full Sample
    – Net payment error <5%

Mechanical Ventilation
Execute audit procedures and report results

- **Suggested Audit Procedures**
  - Review patient Medical Records
  - Confirm that documentation supports hours billed and the procedure code
  - Consider the use of a Nurse Auditor
  - Confirm your results with respiratory therapy and the coding departments
- **Report Results**
  - Report results to the compliance and legal departments
    - Lookback necessity?
    - Final 60 day repayment rule
  - If overpaid, notify hospital billing department to ensure repayment
Mechanical Ventilation
Review Results with Management

• Review results with Management
• Discuss corrective measure
• Identify process improvements needed
• Enlist compliance to assist operational leaders to implement fixes
  – System edits
  – Ongoing monitoring
  – Exception reports
  – New workflow

Use of Data Analytics
Mechanical Ventilation

• Assess the population
  – Download data by for Medicare inpatients billed identify how many were billed with the MS-DRG 207 or 870

• Data analysis and validation
  – For the patients with the >96 hour ventilation code, calculate the hours between the admission and discharge date and time to confirm that patient’s length of stay could even meet 96 hours

• Lookback:
  – Identify all patients assigned one of the DRGs for the lookback period
  – If population of claims is small, select all
  – If population is large, use a statistical sampling tool (such as Rat-Stats) http://www.oig.hhs.gov/compliance/rat-stats/index.asp
OIG Use of Data Analytics
Extrapolation

- Medicare Compliance Reviews
- OIG uses Data Analytics to identify risk areas
- OIG uses statistical sampling and extrapolation
- OIG defend use of extrapolation
  - Response Letter issued to AHA Jan 2015


OIG Medicare Compliance Reviews
OIG Use of Extrapolation

OIG has been extrapolating results, this item on the OIG Work Plan warrants internal auditing

<table>
<thead>
<tr>
<th>DATE</th>
<th>INSTITUTION</th>
<th>EXTRAPOLATED ERROR</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2015</td>
<td>Moses H. Cone Memorial</td>
<td>$1,826,464</td>
</tr>
<tr>
<td>April 2015</td>
<td>Florida Hospital Orlando</td>
<td>$11,512,530</td>
</tr>
<tr>
<td>March 2015</td>
<td>Northwestern Memorial</td>
<td>$6,389,095</td>
</tr>
<tr>
<td>February 2015</td>
<td>University of North Carolina</td>
<td>$2,492,087</td>
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<tr>
<td>December 2014</td>
<td>Oshner</td>
<td>$1,650,592</td>
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<tr>
<td>October 2014</td>
<td>Methodist Memphis</td>
<td>$5,893,307</td>
</tr>
<tr>
<td>June 2014</td>
<td>University of Cincinnati</td>
<td>$9,818,296</td>
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</tbody>
</table>
# OIG Medicare Compliance Reviews

## Risk Areas from 7 Reports issued between October 2015 and January 2016

<table>
<thead>
<tr>
<th>Risk Area</th>
<th># of Reports</th>
<th>Risk Area</th>
<th># of Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient claims billed with high-severity-level DRG codes</td>
<td>7</td>
<td>Inpatient claims billed for Kyphoplasty services</td>
<td>2</td>
</tr>
<tr>
<td>Inpatient claims paid in excess of charges</td>
<td>5</td>
<td>Inpatient DRG verification</td>
<td>2</td>
</tr>
<tr>
<td>Inpatient and outpatient manufacturer credits for replaced medical devices</td>
<td>5</td>
<td>Outpatient dental claims</td>
<td>2</td>
</tr>
<tr>
<td>Outpatient Herceptin</td>
<td>4</td>
<td>Inpatient claims with payments greater than $150,000</td>
<td>1</td>
</tr>
<tr>
<td>Outpatient claims with payments greater than $25,000</td>
<td>3</td>
<td>Outpatient claims billed for Doxorubicin Hydrochloride</td>
<td>1</td>
</tr>
<tr>
<td>Outpatient claims billed with modifier -59</td>
<td>3</td>
<td>Outpatient claims billed with surgeries billed with units greater than one</td>
<td>1</td>
</tr>
<tr>
<td>Inpatient claims billed with cancelled elective surgical procedures</td>
<td>3</td>
<td>Inpatient claims billed with elective admissions</td>
<td>1</td>
</tr>
<tr>
<td>Inpatient rehabilitation</td>
<td>2</td>
<td>Inpatient psychiatric facility (IPF emergency department adjustments</td>
<td>1</td>
</tr>
<tr>
<td>Outpatient claims billed with evaluation and management (E&amp;M) services</td>
<td>2</td>
<td>Inpatient claims with transfers</td>
<td>1</td>
</tr>
<tr>
<td>Inpatient claims billed with same-day discharges and readmissions</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
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# Data Analytic Ideas

## OIG Compliance Review Risk Areas

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>Data Analytic Suggestions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient claims paid in excess of charges</td>
<td>Obtain a report of inpatient claims with total charges and total payment and identify when the charges are less than the payment, this could be an indication of an incorrect DRG assignment.</td>
</tr>
<tr>
<td>Outpatient Herceptin – Herceptin is available in a multi-use vial of 440 milligrams and Medicare pays per 10 milligrams</td>
<td>Run a report of all Medicare Outpatients billed for Herceptin with billed units. Identify those patients charged with unit counts of multiples of 44. Review records to confirm dosage administered.</td>
</tr>
<tr>
<td>Outpatient claims with payments greater than $25,000</td>
<td>Run a report of all Medicare Outpatient Accounts with payments in excess of $25,000. Review the medical record compared to the billed services.</td>
</tr>
<tr>
<td>Outpatient claims billed with modifier -59</td>
<td>Run a report of all Medicare Outpatients with a procedure billed with the 59 modifier, review the record to confirm that a separate and distinct procedure was ordered and performed.</td>
</tr>
<tr>
<td>Outpatient claims billed with evaluation and management (E&amp;M) services</td>
<td>Run a report of all Medicare outpatient claims billed with an E&amp;M code, review Medical record to confirm that the E&amp;M was separate and distinct from the other services provided.</td>
</tr>
<tr>
<td>Inpatient claims billed with same-day discharges and readmissions</td>
<td>If you can run a report of Medicare claims with condition code B4 (which overrides the MAC’s edits to deny the second admission). Otherwise you can run a report of all Medicare Inpatients. Using a tool you can analyze the accounts to identify patients that were discharged and admitted on the same day.</td>
</tr>
<tr>
<td>Inpatient claims with payments greater than $150,000</td>
<td>Run a report of all Medicare Inpatient Accounts with payments in excess of $150,000. Review the record to validate DRG assignment and if an outlier was paid, confirm charges are accurate.</td>
</tr>
<tr>
<td>Outpatient claims with surgeries billed with units greater than one</td>
<td>Run a report of all Medicare Outpatient Claims with revenue code 0360 and identify when the number of units is greater than 1. Review the medical record to confirm accuracy of charges.</td>
</tr>
</tbody>
</table>
Key Take-Aways

• Discuss compliance related audits with the Compliance and Legal departments before initiating the audit
• Coordinate your audits with your compliance counterparts and vice versa, compliance work with your internal audit counterparts
  – Internal Audit usually has access to data sources
  – Internal Audit typically possesses data mining capabilities
• Learn to leverage Data Analytics to keep up with the OIG and RAC

Healthcare Audit Resources
Association of Healthcare Internal Auditors (AHIA)

AHIA New Perspectives - Spring 2016 Issue

How and Why Audit Physician Contracts

Radiation Oncology – a Look at High Risk Codes

Medical Device Credits – Strategies for Risk Mitigation
Questions

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