

Revenue Integrity
Compass

Revenue Integrity Compass: *Mitigating RAC and Compliance-Related Losses in New Mexico*



Prepared for the New Mexico Hospital Association Webinar, February 23rd, 2010

HELPING HOSPITALS AND HEALTH SYSTEMS FOR OVER 30 YEARS

Our Approach Integrates The Power of People, Process and Technology



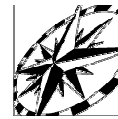
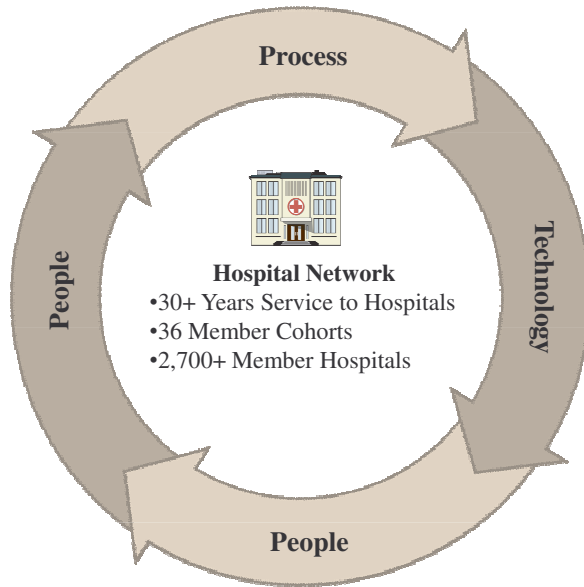
Best Practice Research

- 150+ Research Analysts and Consultants
- Hundreds of Research Studies
- Thousands of Best Practices



Consulting

- 50+ Expert Consulting Staff
- 600+ Hospital Engagements



Technology

- World Class Technology Platform
- 10 Cohort Initiatives
- 700+ Hospital Partners



Leadership Training and Development

- 70+ Faculty and Staff
- 30,000 Executive Participants



Revenue Cycle Compass

Supporting hospitals in elevating performance across the revenue cycle



Payment Navigation Compass

Supporting hospitals in responding to undercompensated care



Self Pay Compass

Supporting hospitals in responding to undercompensated care



Revenue Integrity Compass

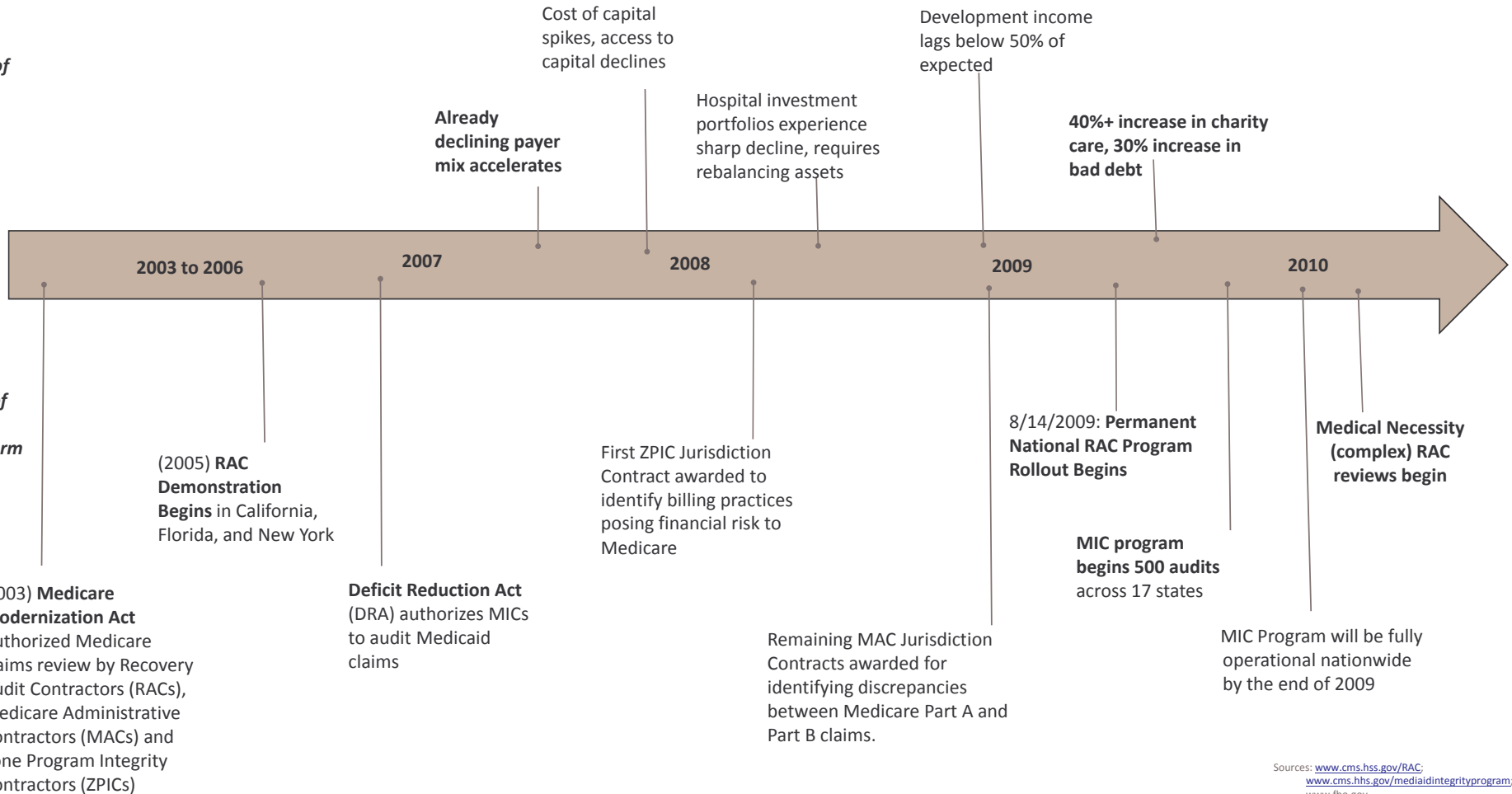
Supporting hospitals in responding to RAC overpayment determinations

A CALL TO ACTION FOR HOSPITAL CEOs AND CFOs

New Era of Post-Payment Scrutiny Demands Data Driven Decision-Making and Rigorous Accountability Infrastructure

Implications of Recession on Margin Performance

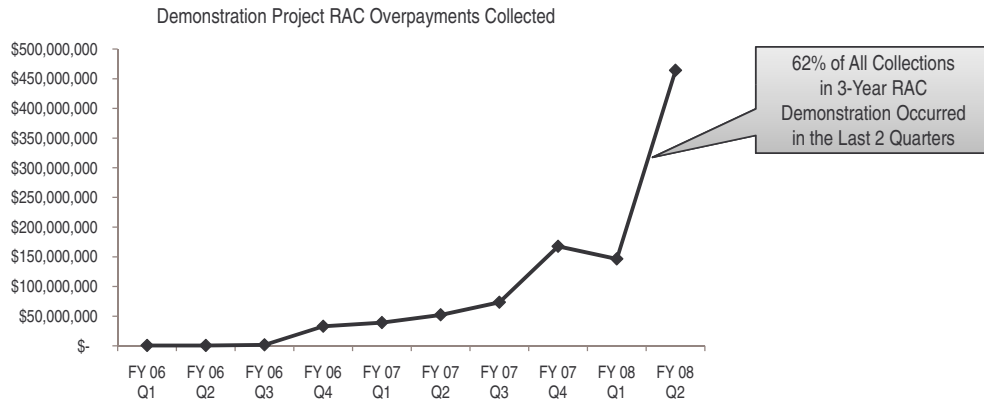
Implications of Immediate Payment Reform on Margin Performance



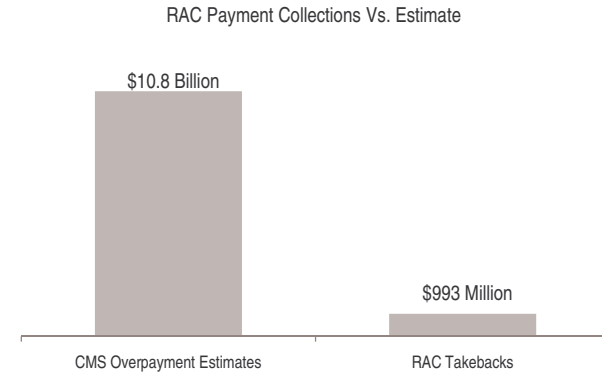
Sources: www.cms.hhs.gov/RAC;
www.cms.hhs.gov/medialaidintegrityprogram;
www.fbo.gov

THE STUNNING SUCCESS OF RACs LEADS TO NATIONAL ROLLOUT

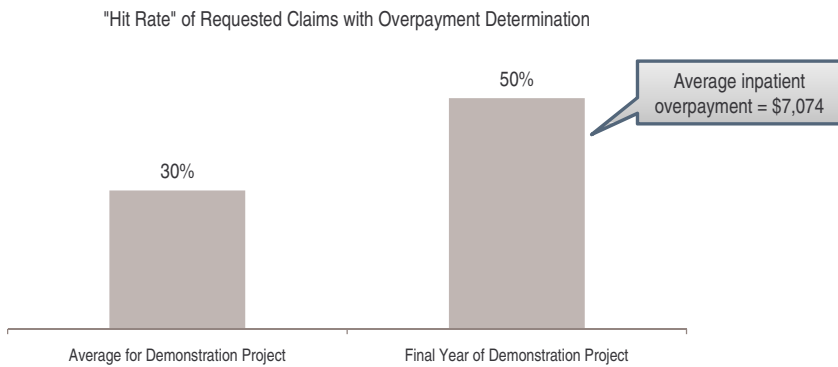
Explosive Increase in Takebacks



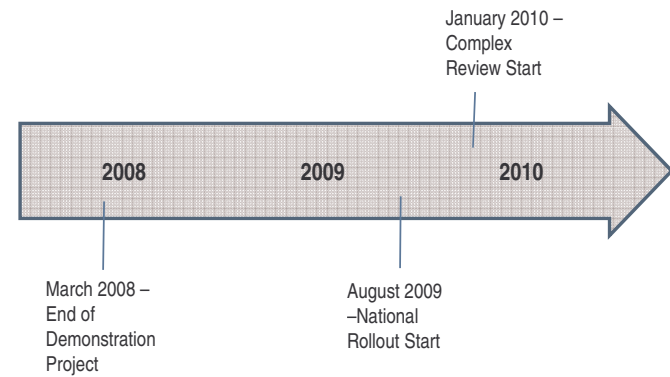
Plenty of Room for RACs to Run



RACs Improved Over Time

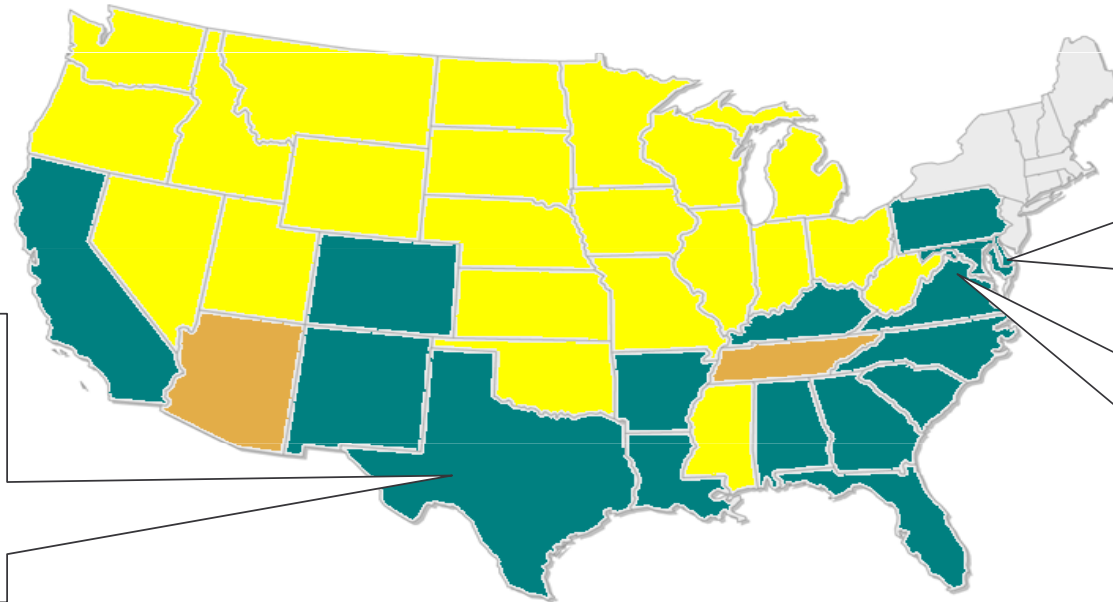


(Complex) Medical Necessity Reviews Begin Soon



JUST WHEN YOU THOUGHT YOU WERE READY FOR RACS

Nationwide Medicaid Integrity (MIC) Contractors Roll Out Schedule¹



State of Delaware



Six of the eight members of Delaware's hospital association have received MIC requests from Booz Allen with indications that extrapolation will be used.

Adams Health



System received record requests at two facilities with no indication of the reason for the audit, the parameters of the sample, or the expected response time.

State of Texas



The Texas Hospital Association reports that member hospitals began receiving a significant number of record requests from HMS, the Region 2 Audit MIC, in March 2009.



Differences to the RACs

- Not paid on contingency basis
- State and Federal Programs
 - MICs Identify but do not collect overpayments
 - CMS collects federal share of overpayment from the states. States pursue collection of overpayment from providers, according to state law.
- Do not identify underpayments
- Increased use of Extrapolation to maximize takebacks
- Will not pay for copies

Provider Concerns

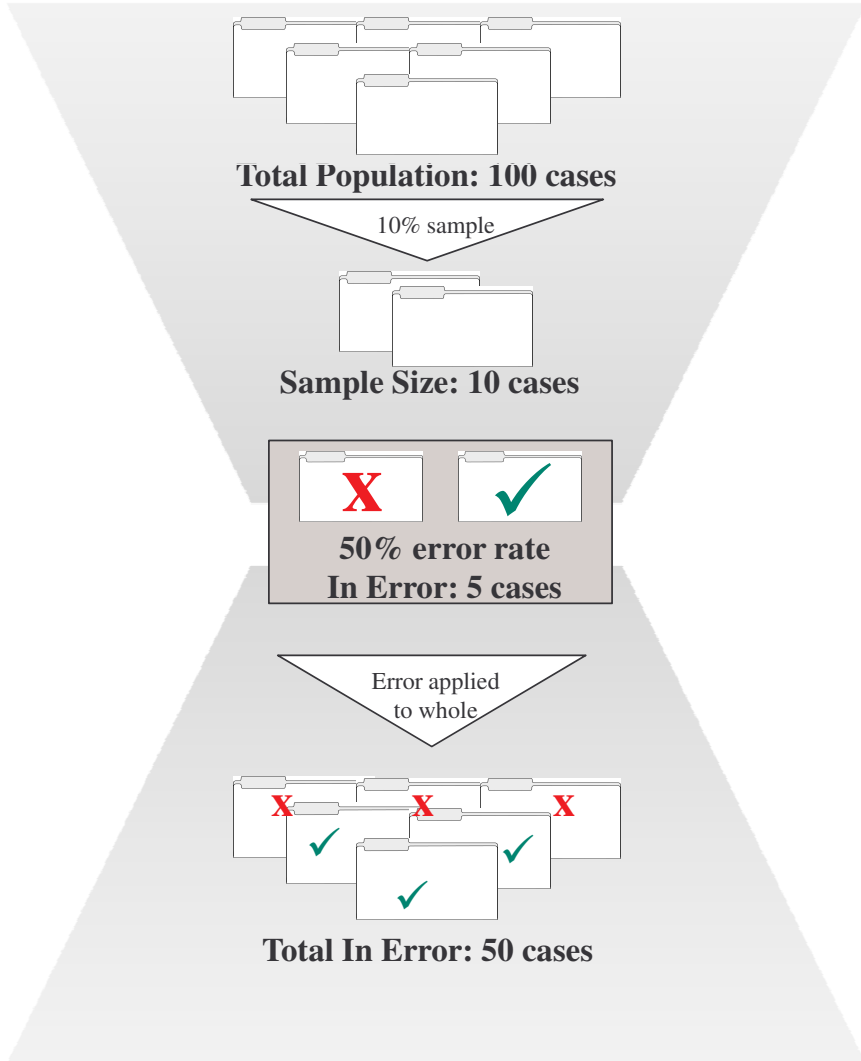
- No limitations on number of requests
 - Local guidelines vary by state
- Short window for appeals (providers accustomed to 120 day window)
 - E.g. FL – 21 days, IL 10 days, NY 60 days
 - Makes knowing your data before requests arrive imperative
- Sampling laws vary by State
 - State laws differ widely on what is considered an adequate sample amount.
 - Florida case law provides that a 10-percent sample is required, whereas Ohio case law suggests that a sample as small as 0.5 percent does not violate due process.
- Confused Limits to Look-back Periods

¹Texas Hospital Association, "Audit Schedule."

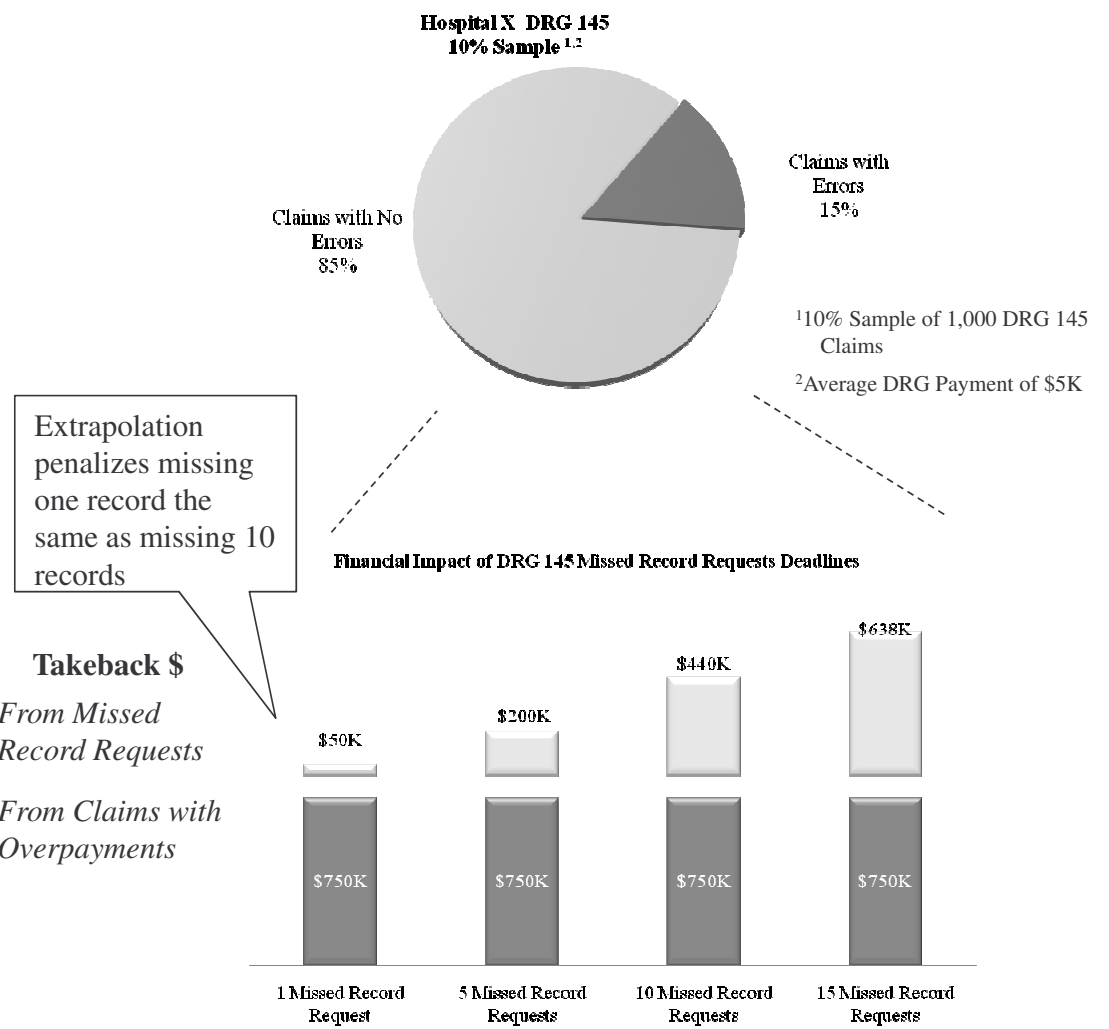
DUSTING OFF YOUR STATISTICS TEXTBOOK

Extrapolation Allows for Maximum Takeback with Minimum Effort

Sample Extrapolation Process



High Cost for Missing Deadlines



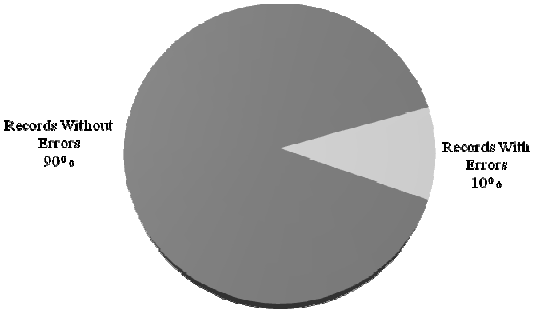
THE GOOD NEWS ABOUT EXTRAPOLATION

MIC Overpayment Determination Methodology Offers Two Avenues of Appeal

Appeal Sample's Representativeness

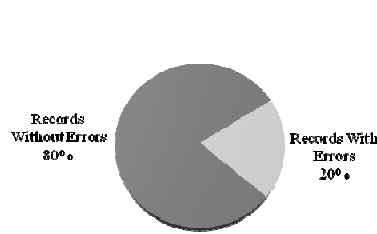
Actual Claim Population Error Rate

n=1000



Sample Error Rate

n=100



Process Steps



Pros

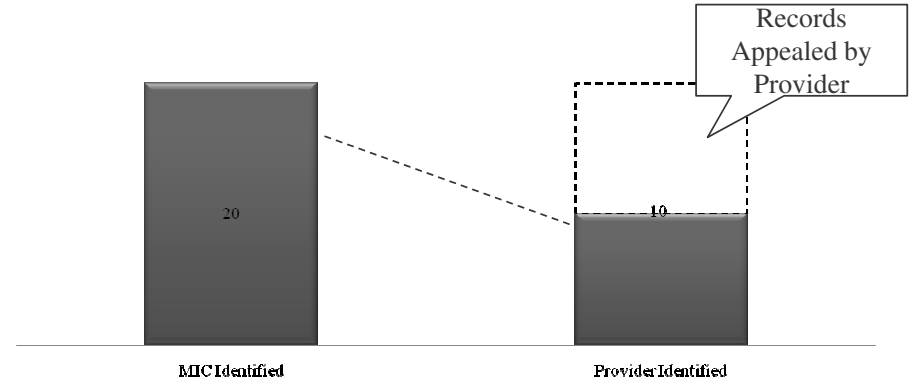
- ✓ Can yield huge savings if sample is truly unrepresentative
- ✓ Use of business intelligence analytics greatly simplifies the process

Cons

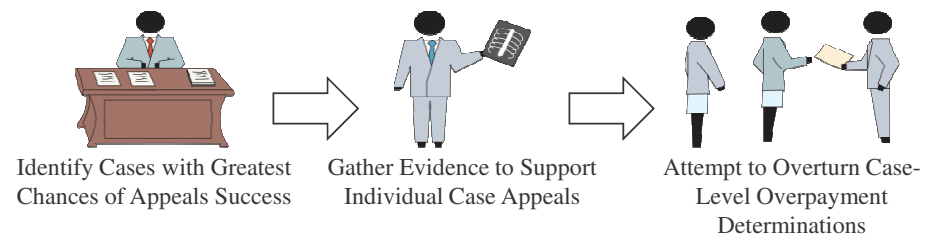
- ✓ Expensive & time consuming
- ✓ Sample could be found to be representative after 100% sample audit is complete
- ✓ Challenging standard of proof

Appeal Individual Claims with Overpayment Determinations

Claims with Errors in Sample



Process Steps



Pros

- ✓ Lower cost appeal option
- ✓ Less time intensive appeal option
- ✓ Each overturned case is the equivalent of overturning 10-100 cases, depending on the sample size

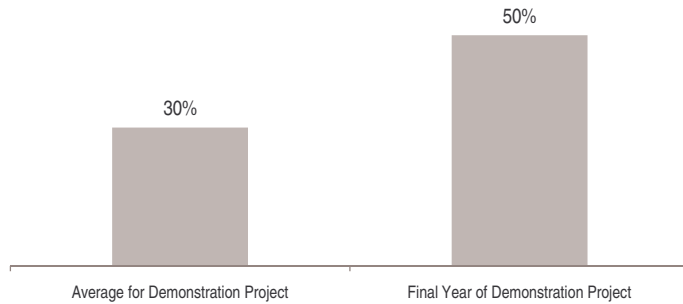
Cons

- ✓ Difficult to have a huge impact on larger overpayment determination
- ✓ Requires case-specific proof that services were necessary and provided
- ✓ Can involve substantial physician querying and involvement

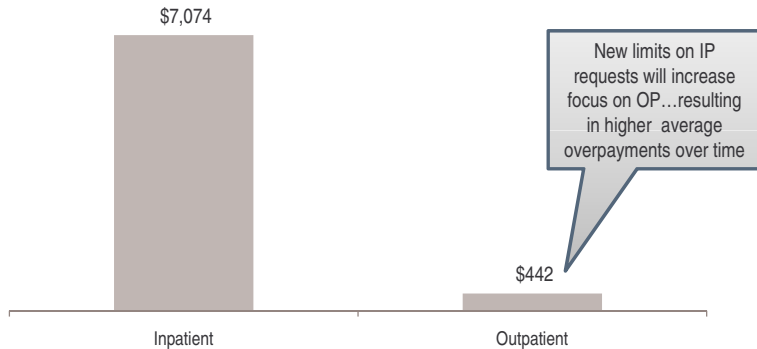
PROLIFERATION OF POST-PAYMENT AUDITS INCREASES RISK PROFILE

Results of RAC Demonstration...

"Hit Rate" of Requested Claims with Overpayment Determination



Average Overpayment Determination



...Can Inform Risk Assessments

Beaver State Medical Center*	
# of Annual Medicare IP Discharges	3,030
# of Annual Medicare OP Services	74,557
Monthly IP Medicare Discharges	253
Monthly OP Medicare Services	6,213
45-Day IP Record Request Limit	25
45-Day OP Record Request Limit ¹	62
45-Day Record Request Limit	87
Annual Record Request Limit	709
Average RAC IP Takeback	\$7,074.64
Average RAC OP Takeback	\$441.84
Total Annual RAC Exposure	\$1,671,590.88
33% Hit Rate Annual Exposure	\$557,196.96
50% Hit Rate Annual Exposure	\$835,795.44
66% Hit Rate Annual Exposure	\$1,114,393.92
Medicaid-Medicare Ratio ⁴	33%
Total Estimated Medicaid Risk⁵	\$393,466.99
33% Hit Rate Annual Exposure	\$131,155.66
50% Hit Rate Annual Exposure	\$196,733.49
66% Hit Rate Annual Exposure	\$262,311.32
TOTAL CLINICAL RISK	
Total Combined Clinical Risk⁶	\$2,065,057.87
33% Hit Rate Annual Exposure	\$688,352.62
50% Hit Rate Annual Exposure	\$1,032,528.94
66% Hit Rate Annual Exposure	\$1,376,705.25
TOTAL AUDIT PROCESS RISK	
Value of Missed Records With No Errors³	\$44,575.76
Missed Record Requests ² (4%)	28
# of Missed Records With No Errors (33% Hit Rate)	19

Clinical Risk

Note: This analysis is based on demonstration project averages.

¹If 45-day limit reaches 200 record cap, 45-day OP record request limit is calculated as 200 records minus the 45-day IP record request limit

²Demonstration Project Average for Missed Deadlines was 8%, Best Practice is 0%, this calculation is based on a 4% assumption

³Assumes a 80/20 split IP/OP on missed record requests

⁴Ratio calculated as the average of the ratios of Medicaid:Medicare Patient Days and Medicaid:Medicare Admissions

⁵Calculated as Total RAC (Medicare) risk discounted by the Medicaid-Medicare Ratio

⁶Calculated as Total RAC Exposure + Value of Missed Records with No Errors + Total Estimated Medicaid Risk

* Pseudonym

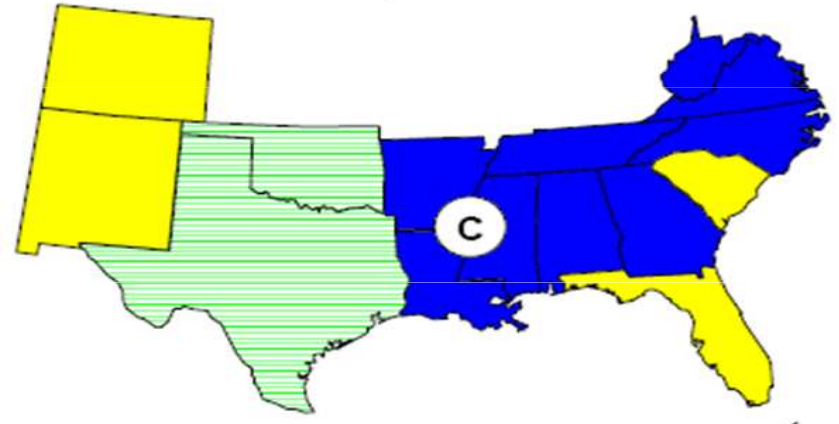
REGION C AUDITOR: CONNOLLY CONSULTING

Company Profile

- Headquarters: Wilton, Connecticut
- Year Founded: 1979
- Employees: 500
- Annual Revenues: \$105 Million
- Areas of Work: recovery auditing services, identification of financial errors and under-deductions, overpayment recovery in accounts payable and medical claims
- Healthcare Footprint: Overpayment analysis for payers

RAC Demonstration Project Experience

- Medicare Part A Claims
- States: New York and Massachusetts
- Demonstration Project Overpayments Collected: \$266 Million
(HDI: \$396M, PRG-Schultz: \$318M)



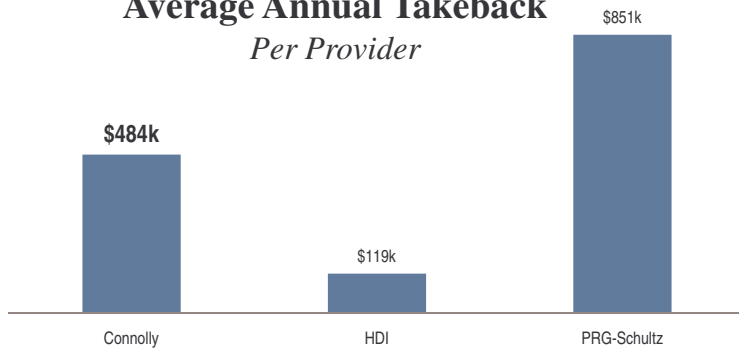
Connolly in the News

- Connolly Consulting was listed on Inc Magazine's list of the 5000 fastest growing companies in the United States
- Connolly saw revenue growth of 104% over three years, due to strong demand for its overpayment analysis among payers

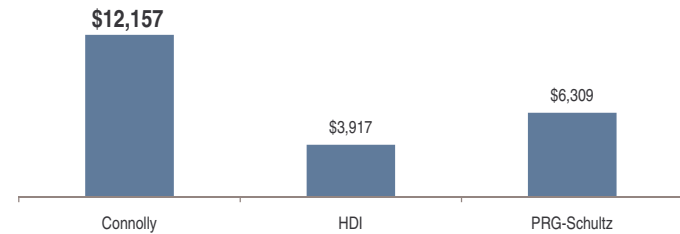
CONNOLLY: DEMONSTRATION PROJECT RESULTS BY THE NUMBERS

Insights Uncovered from Connolly's work in New York, Massachusetts

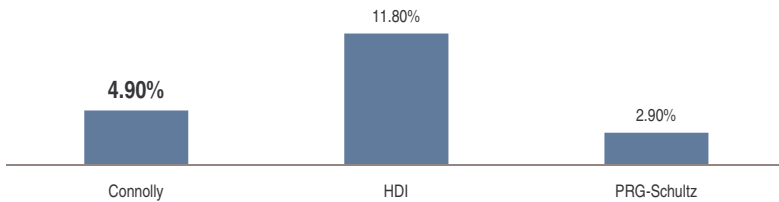
Average Annual Takeback
Per Provider



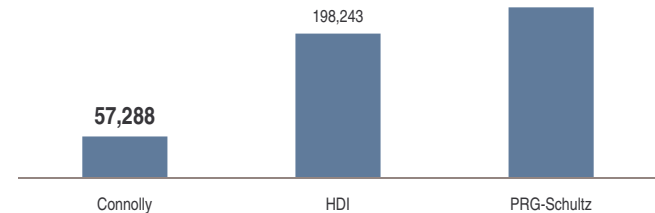
Average Overpayment Determination
Specific Targeting of High-Dollar Claims



Percent of Claims Successfully Appealed
High Request Accuracy Necessitates Strategic Appeals Planning



Number of Claims Requested
Slow Start To the Demonstration Leaves Ample Running Room



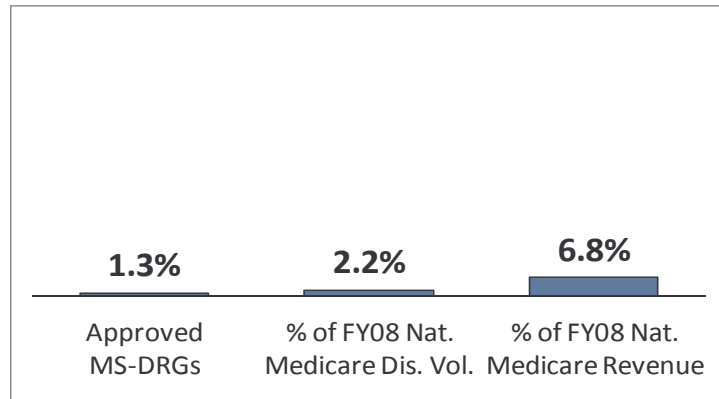
Lessons Learned

- Top Areas of Focus During the Demonstration Included: *Excisional Debridement* and *Surgical Procedures in the Wrong Setting*
- Connolly was particularly aggressive in New York, applying 2008 documentation standards to 2005 claims (Excisional Debridement)
- **Connolly targeted primarily high value claims with a solid hit rate and low appeals loss rate**
- **Be prepared for a focus on high-value claims with a solid hit-rate (Demonstration Project Hit Rate: 35%)**

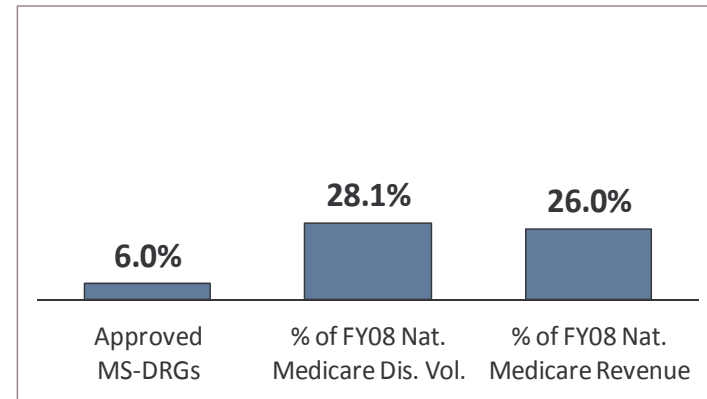
THE STATE OF PLAY

Approved Issues Across the Country

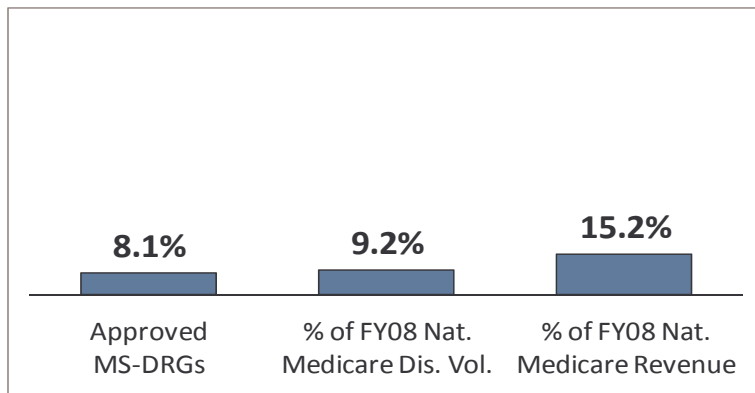
DCS: Region A: 10 Approved MS DRGs



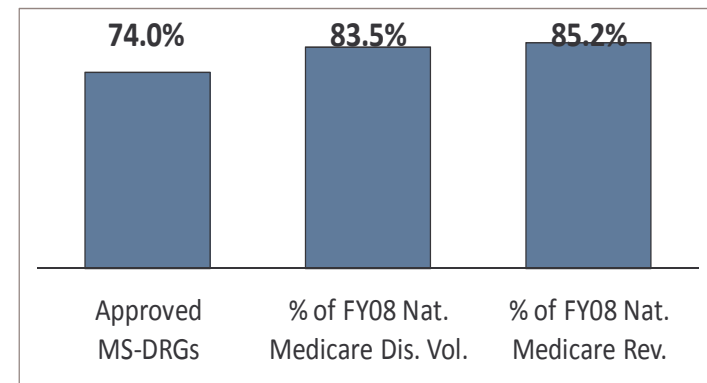
CGI: Region B: 49 Approved MS DRGs



Connolly: Region C: 79 Approved MS DRGs



HDI: Region D: 551 Approved MS DRGs



APPROVED RAC COMPLEX REVIEW ISSUES: REGION C

Connolly's Top 10 Approved DRGs by FY 08 Revenue

MS-DRG	Description	FY 08 Volume	FY 09 Payment (per case)	FY 08 Revenue
871	SEPTICEMIA W/O MV 96+ HOURS W MCC	267,991	\$10,118	\$2.7 B
329	MAJOR SMALL & LARGE BOWEL PROCEDURES W MCC	51,646	\$28,688	\$1.5 B
853	INFECTIOUS & PARASITIC DISEASES W O.R. PROCEDURE W MCC	40,551	\$30,166	\$1.2 B
207	RESPIRATORY SYSTEM DIAGNOSIS W VENTILATOR SUPPORT 96+ HOURS	38,662	\$28,349	\$1.1 B
330	MAJOR SMALL & LARGE BOWEL PROCEDURES W CC	60,505	\$14,209	\$860 M
981	EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W MCC	30,686	\$27,895	\$856 M
252	OTHER VASCULAR PROCEDURES W MCC	45,833	\$16,408	\$752 M
166	OTHER RESP SYSTEM O.R. PROCEDURES W MCC	25,848	\$20,496	\$530 M
872	SEPTICEMIA W/O MV 96+ HOURS W/O MCC	80,396	\$6,224	\$500 M
163	MAJOR CHEST PROCEDURES W MCC	14,693	\$27,750	\$408 M

MEDICAL RECORD REQUESTS AND ASSOCIATED REVENUE UNDER REVIEW

First-Round Results from a Representative Sample of Hospitals in Region C

177 Region C Record requests spanning 32 MS-DRGs

Institution	Bed Size	Medical Record Requests	MS-DRGs Covered	Total Associated Revenue under Review
Hospital 1	90	17	10	\$237,760
Hospital 2	120	50	16	\$568,548
Hospital 3	400	61	18	\$860,925
Hospital 4	200	30	16	\$447,533
Hospital 5	280	19	10	\$242,532
Average Hospital	218	35	14	\$471,460

RACS TARGETING HIGH REIMBURSEMENT MS-DRGS

MS-DRG Level Analysis of Medical Record Requests in Region C

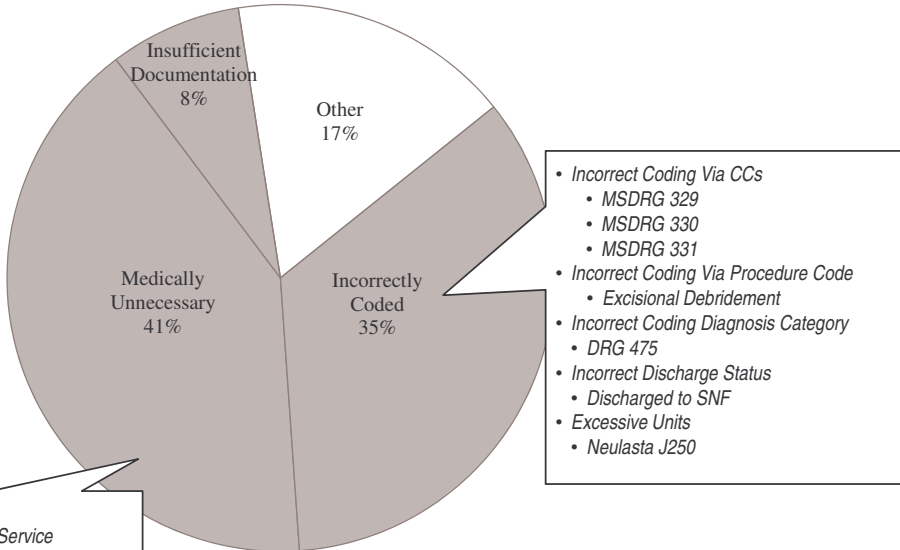
MS-DRG	Description	MS-DRG Payment Rate	Revenue under Review	% of Revenue under Review
166	OTHER RESP SYSTEM O.R. PROCEDURES W MCC	\$20,496	\$266,446	11.3%
987	NON-EXTENSIVE O.R. PROC UNRELATED TO PRINCIPAL DIAGNOSIS W MCC	\$19,104	\$ 229,250	9.7%
981	EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W MCC	\$27,895	\$223,162	9.5%
871	SEPTICEMIA OR SEVERE SEPSIS W/O MV 96+ HOURS W MCC	\$10,118	\$212,472	9.0%
167	OTHER RESP SYSTEM O.R. PROCEDURES W CC	\$11,252	\$157,522	6.7%
329	MAJOR SMALL & LARGE BOWEL PROCEDURES W MCC	\$28,688	\$143,440	6.1%
982	EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W CC	\$17,093	\$119,649	5.1%
983	EXTENSIVE O.R. PROCEDURE UNRELATED TO PRINCIPAL DIAGNOSIS W/O CC/MCC	\$11,076	\$99,685	4.2%
988	NON-EXTENSIVE O.R. PROC UNRELATED TO PRINCIPAL DIAGNOSIS W CC	\$10,434	\$93,908	4.0%
432	CIRRHOSIS & ALCOHOLIC HEPATITIS W MCC	\$9,323	\$93,225	4.0%

RANDOM SAMPLING AND UNSOPHISTICATED TRACKERS INCAPABLE OF COMPREHENSIVE RISK RELIEF

Evolving Targets are Overwhelmingly Clinical

Auditors Not Limited In Volume or Scope of Target Areas

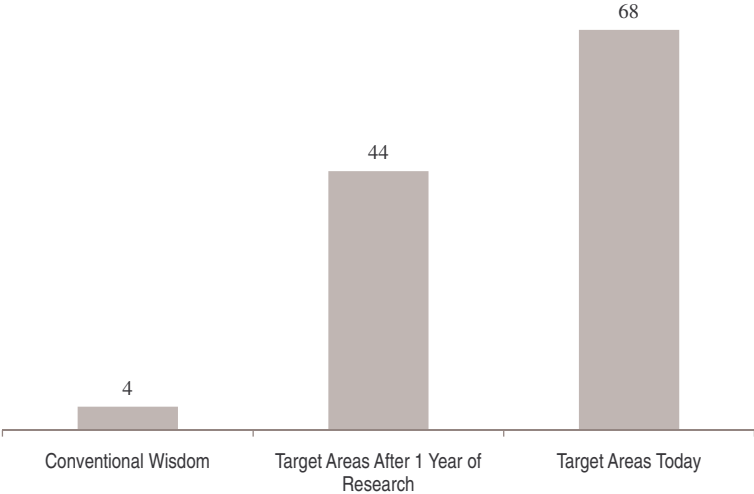
Overpayments Collected by Error Type During Demonstration Period



- Medically Unnecessary Service
 - Medical Back Problems
 - Fractures of Hip & Pelvis
 - Transient Ischemia
- Medically Unnecessary Settings
 - IP Admissions OP/Obs Surgery
 - Implantable Cardiac Defibrillator
 - Laparoscopy

- Incorrect Coding Via CCs
 - MSDRG 329
 - MSDRG 330
 - MSDRG 331
- Incorrect Coding Via Procedure Code
 - Excisional Debridement
- Incorrect Coding Diagnosis Category
 - DRG 475
- Incorrect Discharge Status
 - Discharged to SNF
- Excessive Units
 - Neulasta J250

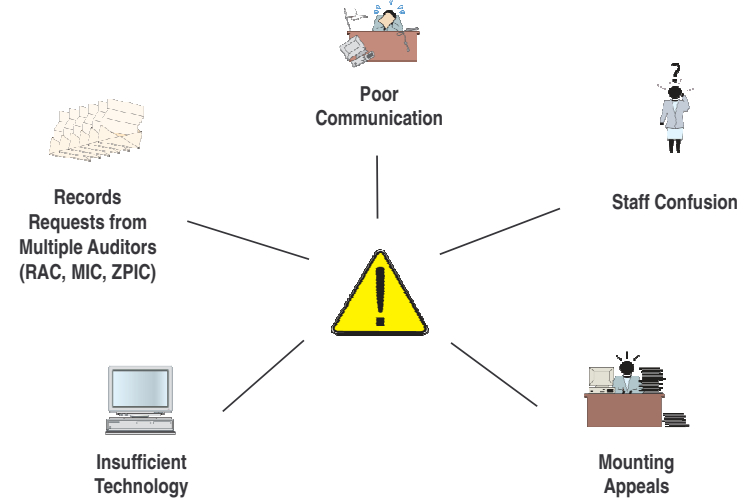
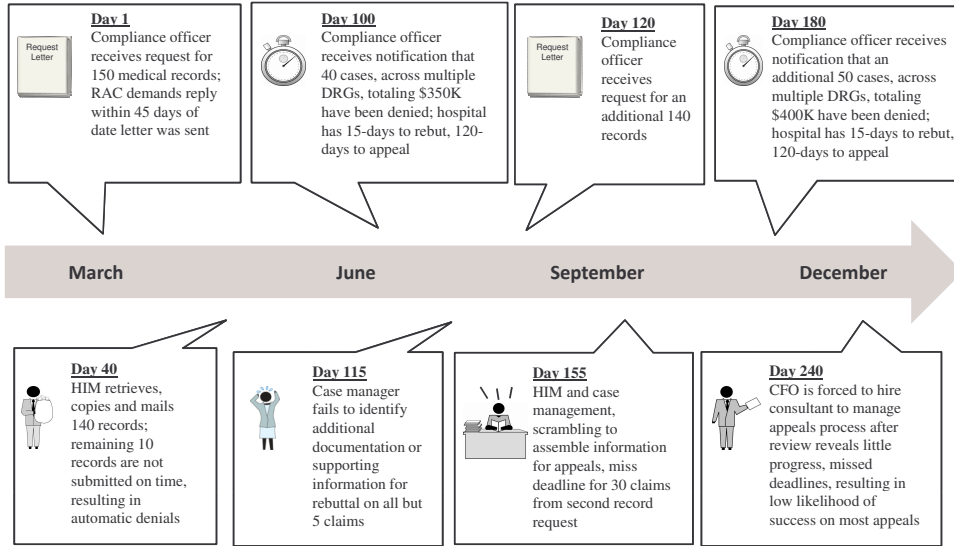
RAC Target Areas



STRAIGHTFORWARD PROCESS QUICKLY DEVOLVES INTO COSTLY CHAOS

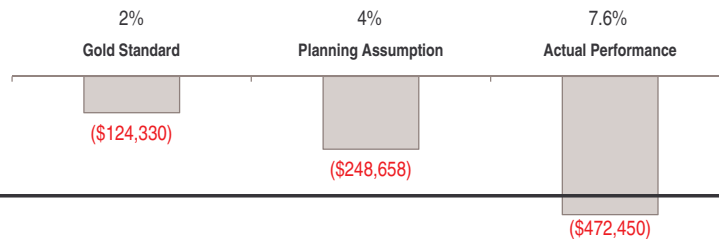
A Purposely Complex Process for Managing RAC Requests

Volume, Unpredictability, and Complexity Overwhelms Even the Most Organized



Unnecessary Losses Due to Lack of Deadline Compliance

Percentage of Requests with Missed Deadlines and Associated Losses



Falling Prey to Chaos

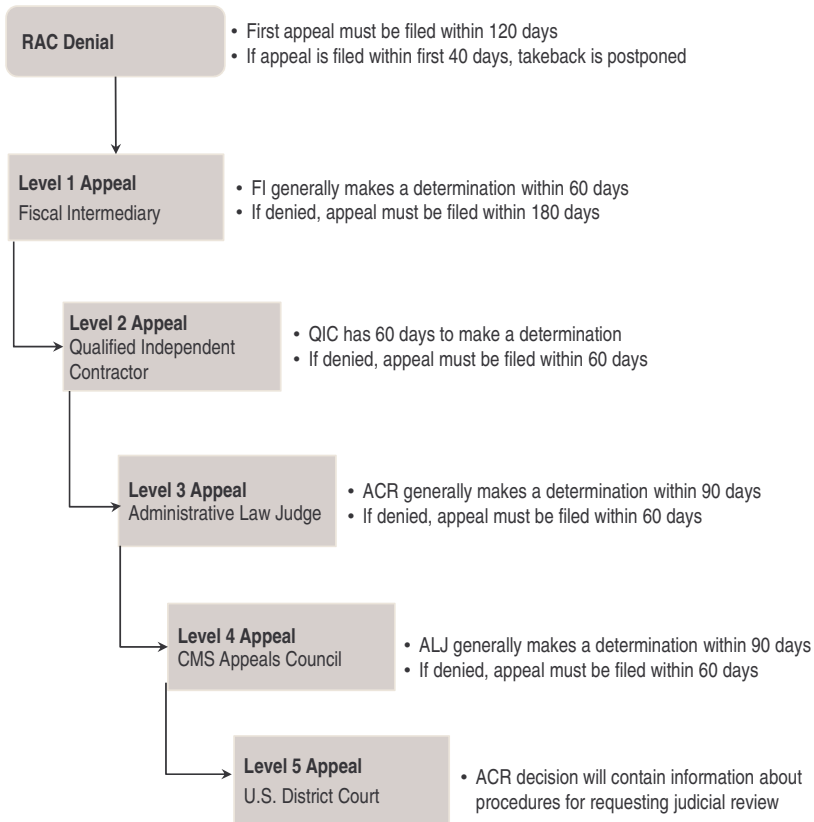
"We were so inundated with the work involved in just meeting deadlines that we weren't even taking appeals with merit to the next level."

VP, Revenue Cycle
500-bed Hospital in Northeast

SCATTERSHOT APPEALS PROCESS LEADS TO MORE DOLLARS LOST

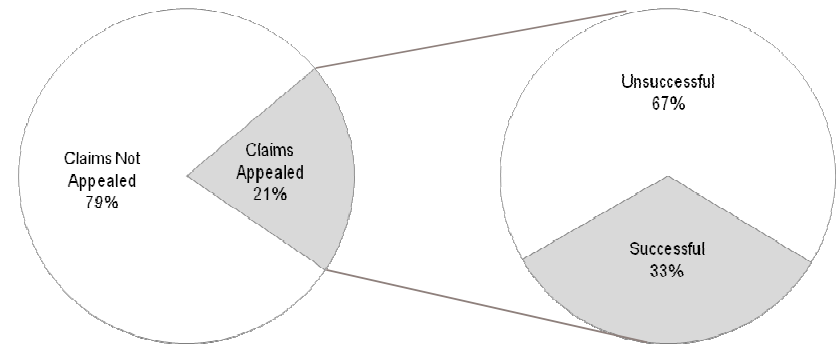
Another Complex, Multi-Step Process

RAC Appeals Process

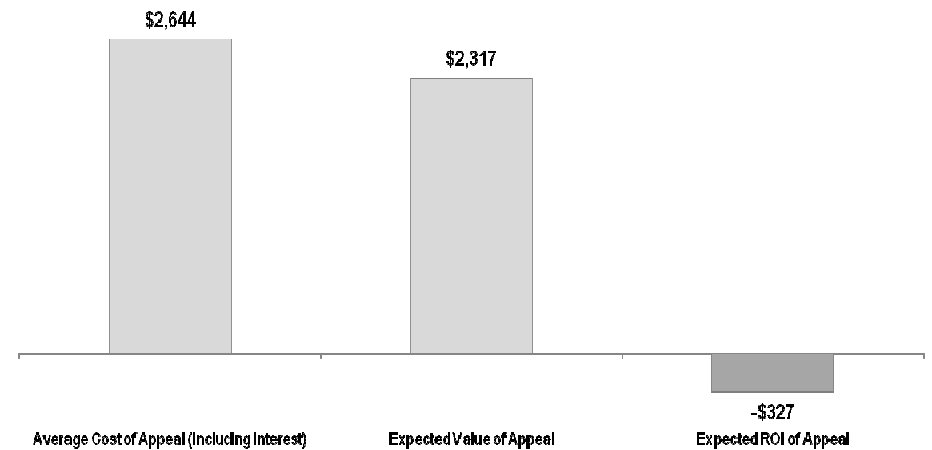


Even When You Win, You Lose

Overpayment Appeals Success Rates



Expected Return on Appeals, per Claim



THE BEST DEFENSE IS A GOOD OFFENSE
Transitioning from Common Practice to Best Practice

Prior to a Record Request—Problem Diagnosis

During a Record Request—Process Management

Following a Record Request—Risk Mitigation

Common Practice:

Sampling and Aggregated Reviews Missed the Mark



RACs utilized claim-level detail to pinpoint areas of investigation whereas hospitals often only utilized aggregated or sampling reports to identify vulnerabilities



Unsophisticated Trackers Proved Inadequate



Hospitals reacted to complex audit procedures with insufficient tracking tools which ultimately collapsed under their own weight and management requirements



Underlying Root Causes Unable to be Addressed



Hospitals able to comply with the 1st audit but unable to maintain success on consistent basis due to inability to identify root causes and influence drivers of trends



Best-in-Class Approach:

Utilize Same Data-Mining Techniques as RACs (Using Same 837 and MedPar Data)

DRG 210/211 Pair Percentage



- Eliminating Easy Wins for Auditors by Employing the Same Methodologies for Case Identification
- Pre-emptive Appeal Research to Ensure Leveraged, Timely Responses

Automate Workflow Management Technologies



- Eliminating Automatic Denials by Ensuring Strict Process Adherence
- Ensuring Progress on Rebuttals & Appeals

Analyze Trends and Tailor Educational Interventions



- Preventing Future Occurrences through Root Cause Identification and Monitoring of Performance
- Engaging Clinical Staff Support to Improve Documentation



Revenue Integrity
Compass

Questions and Answers

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