



Risky Business

Target Your Hospital's Risk
CAH Conference 2025

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Pop quiz, no pressure...



How involved is your compliance program in performing proactive medical necessity reviews?

Not at all

Minimally involved

Moderately involved

Extremely involved

Not sure

Problems in healthcare are like weeds



What makes compliance hard?

- Cash rules everything
- Healthcare reimbursements declining
- Providers want to get patients the best
- Workflow issues
- Nuances



RAC Overview

RAC Mission

“...to identify and correct Medicare improper payments through the efficient detection and correct of overpayments made on claims of health care services provided to Medicare beneficiaries and the identification of underpayments to providers so that CMS can implement actions that will prevent further improper payments in all 50 states.”

Providers avoid submitting claims that do not comply with Medicare rules

CMS can lower its error rate

Taxpayers & future Medicare beneficiaries are protected

Understanding RAC Audits



- Post-payment reviews conducted by RAC Auditors on Part A and Part B claims
 - DMEPOS and Home Health/Hospice are also reviewed
 - RAC auditors are allowed to review claims **up to 3 years** from the date the claim was paid
 - Contracted entities use claims analysis to identify questionable billing patterns to ensure that CMS is only reimbursing for services that meet Medicare requirements

Understanding RAC Audits



- 3 types of claim analysis
 - Automated
 - No medical record needed
 - Analysis relies on data and knowledge of Federal regulations and policies to identify risks
 - Semi-Automated
 - Utilizes data and human review for medical record documentation submitted optionally
 - Complex
 - Medical record documentation required to make a final judgement on audit outcome
 - *If documentation is requested, it is most likely a complex review*

What is RAC looking for?

- Improper payments: Overpayments and/or underpayments
- Payments made without medical necessity
- Payments made for incorrect procedures
- Documentation that does not support services billed
- Duplicate claims
- Claims paid according to outdated fee schedules
- Claims that should have been paid by another payer

Common Audit Triggers

- High Risk Areas
 - Claim errors, irregular billing patterns, billing for high-cost procedures, billing services frequently linked to fraud/abuse = **invited risk for a RAC audit**
 - Current Approved RAC Topics
 - Current OIG Work Plan Targets
 - Current CERT Report Targets



Current RAC Topics

- Air ambulance
- Cataract removal
- Critical care services
- Erythropoiesis
- Sacral neurostimulation
- Hospital E/M services
- Negative pressure wound therapy
- Infusion services
- Modifiers: Assist at Surgery
- Modifiers: Bilateral indicators

**Not an inclusive list*



OIG Work Plan Overview



“...The OIG develops a Work Plan that outlines various audits, evaluations, and inspections it intends to conduct. The purpose of the work plan is to identify and address areas within HHS programs that are most in need of attention, ensuring resources are allocated effectively to enhance program integrity and operational efficiency.”

What's the OIG working on?

- **OIG Work Plan**

- <https://oig.hhs.gov/reports-and-publications/workplan/active-item-table.asp>

- **Medicare Advantage Risk Adjustment Data**

- (Targeted review of documentation supporting specific diagnosis codes)
<https://www.cms.gov/data-research/monitoring-programs/medicare-risk-adjustment-data-validation-program>

OIG Work Plan Items

- Remote Patient Monitoring
- Critical care
- Wound Care: Skin Substitutes
- Incident to Services
- Evaluation & Management Services
- Emergency Department Evaluation & Management Services
- Joint Pain Management Therapies
- Spinal Pain Management Services



Medicare Advantage Risk Adjustment

Acute stroke

Acute heart
attack

Acute stroke
and acute heart
attack
combination

Embolism

Vascular
claudication

Major
depressive
disorder

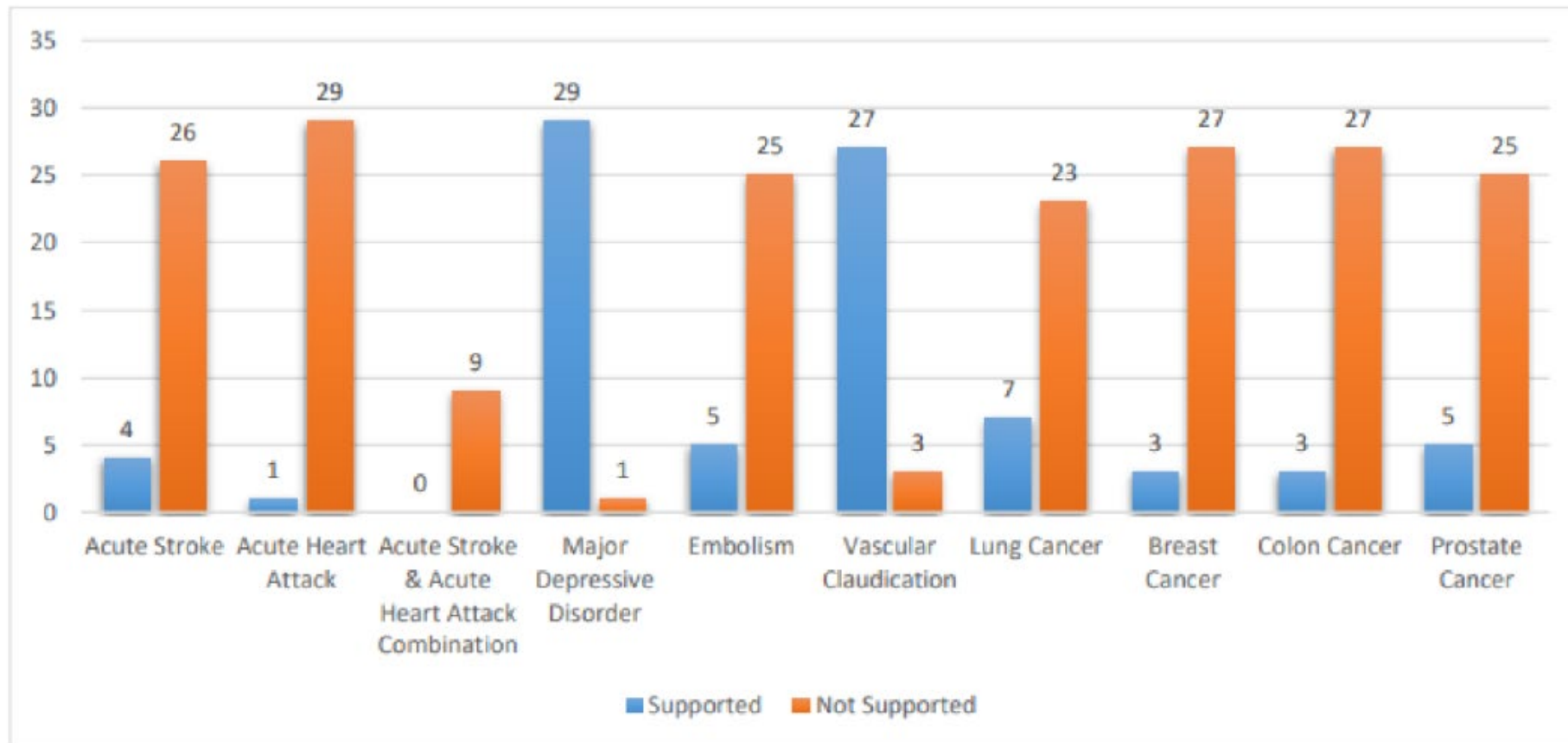
Breast, colon,
prostate and
lung cancers

Potentially
mis-keyed
diagnosis
codes

Morbid obesity

OIG Findings

Figure: Analysis of High-Risk Groups



What services are most important to review for medical necessity?

Laboratory tests

Surgical procedures

Medications

E/M services

Other

Medical necessity not reviewed

OIG GCPG Medical Necessity



“Entities that do not include clinical review of medical necessity in their claims audits may fail to identify important compliance concerns relating to medical necessity.”

Common Pitfalls



Ignoring audit communications



No streamlined process for audit letters



Missing deadlines



Lack of internal and external auditing

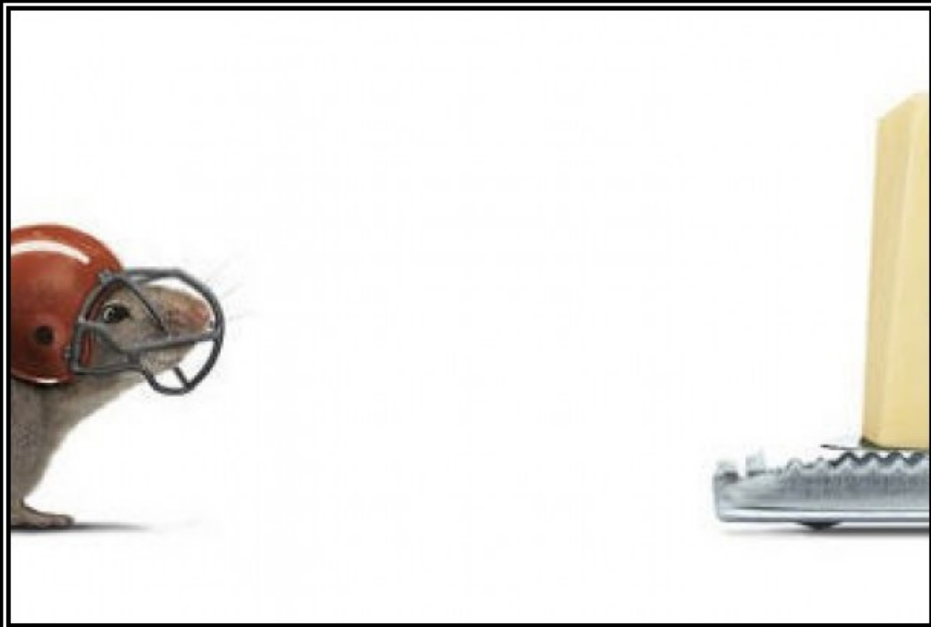


Inadequate staff training



Outdated logic: *“We’ve never been audited before...”*

Important of Auditing



PREPARATION

“By failing to prepare you are preparing to fail.”
Benjamin Franklin

DIY.DESPAIR.COM

1. Written policies and procedures
2. Compliance leadership and oversight
3. Training and education
4. Effective lines of communication with the compliance officer and disclosure program
5. Enforcing standards: Consequences and incentives
6. Risk Assessment, Auditing, and Monitoring
7. Responding to detected offenses and developing correct action initiatives

Identifying Your Risk

- Review past audits
 - Look for recurring issues or patterns
- Conduct a risk assessment
 - Prioritize areas with the highest potential for problems or impact on the organization
- Solicit feedback
 - Engage staff across departments to gather insight



Identifying Your Risk

- Benchmark
 - Compare your processes and performance against industry standards
- Follow the data
 - Use data analytics to identify trends, anomalies, or areas that do not align with expected patterns



Identifying Your Risk

- **Use RAC, OIG, and CERT as a guide**
 - Whatever the OIG audits, you should be auditing
 - Monitor RAC, OIG, CERT publications
- **Trending**
 - Track denials, identify trends
- **Leverage networking**
 - Phone a friend: How are other organizations tackling similar patterns?



Make Audits Impactful

- **Schedule focus audits into the yearly audit workplan**
 - Modifier 25
 - Critical care
 - DME
 - Incident to
 - Clinical lab services
 - Joint injections
- **Creative approach**
 - Top 5% providers in earnings
 - Top 5% providers in charge quantity



Make Audits Impactful

- **Take a risk based approach**
 - **DOJ** *“Does the company devote a disproportionate amount of time policing low-risk areas instead of high risk areas.... Prosecutors may credit the quality and effectiveness of a risk-based compliance program that devotes appropriate attention to resources to high-risk transactions, even if it fails to prevent an infraction.”*
- **Circle back on past problem topics**
- **Engage an independent review**
- **Lean in on stakeholder engagement**

Make Audits Impactful

- **Stay consistent with following through on audit findings**

“An audit without follow through is like diagnosing an illness but never prescribing treatment.”

Roadblocks

- Limited resources
- Staffing shortages
- Lack of expertise
- Time constraints
- Technology gaps
- Resistance to change





Questions?

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