



Health Care
Solutions®



NCHICA 15th Annual Conference & Exhibition

**Adapting to the Reality of Healthcare IT:
A Whole New World**

September 20-23, 2009 • Grove Park Inn, Asheville, NC



**Sutter's Mill 2009:
*Meeting the RAC Challenge***

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**HealthCare
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Agenda

- Objectives
- Challenges and Opportunities
- As You Contemplate Your Options
- The Business Problem
- The Basics of FWA and RAC
- A More Advanced Approach
- Question and Answers

Objectives

Addressing areas of concern & focus for healthcare and government:

- Explain need to address Fraud, Waste, and Abuse (FWA) in a Recovery Audit Contractor (RAC) environment
- Describe criteria and drivers required for successful FWA program drive revenue for your organization
- Identify weaknesses inherent in your existing FWA and RAC activities and strategies to address them

2009 Challenges & Opportunities

A year of great challenges

- The economy – Healthcare is a lag indicator
- High unemployment >10%/uninsured increases
- Pensions – value decreases causing funding calls
- Giving – individual/corporate giving falling off
- Investment portfolios diminished and risk remains high
- Income and capital growth opportunities scarce/risky
- Non-patient revenue and other income down
- Government trends – increased taxes/reimbursement cuts
- Inflation in the wings

Opportunities

**Stimulus \$\$\$
beckon**

**– *stick not too
far behind***

#1 Rule in investing / business – “avoid loss”



As You Contemplate Your Options

Options

- Do nothing – the ever popular ostrich approach
- Aggressively upgrade for 'Meaningful Use'
- Cut other IT spending
- Prepare for FWA and RAC

The Hidden Danger – Ignoring FWA !

- Exposure to Fraud, Waste and Abuse can put you at risk with your biggest payers (Medicare/Medicaid)
- Damages are typically treble damages
- Government will continue to expand RAC use to uncover and recover
- No one looks good in an orange jump suit

Fraud, Waste, and Abuse

A Major Health Care Business Problem

- Millions of health care dollars lost annually due to FWA
- For every dollar lost to FWA, health care costs rise, bottom lines of providers and payers fall
- Health care providers and payers could be subject to civil and/or criminal charges, penalties, and fines if FWA not properly addressed
- FWA schemes and errors are complicated, detailed, medical specialty specific, and difficult to identify
- Traditional data mining software are often:
 - inadequate
 - not user friendly
 - and only detect a small percent of FWA

Effective detection requires FWA expertise, healthcare industry knowledge and expertise, contacts, and sophisticated computer software



Fraud, Waste, and Abuse

Importance of Identifying and Eliminating

Size of the Problem

Industry experts estimate 4%–10% of all health insurance claims contain FWA resulting in millions of dollars in insurer/government program overpayments

Size of the Fight

Payments to federal RAC auditors and funding to state FWA units to fight FWA equals cost of Homeland Security budget (\$50.5 Billion in 2009)

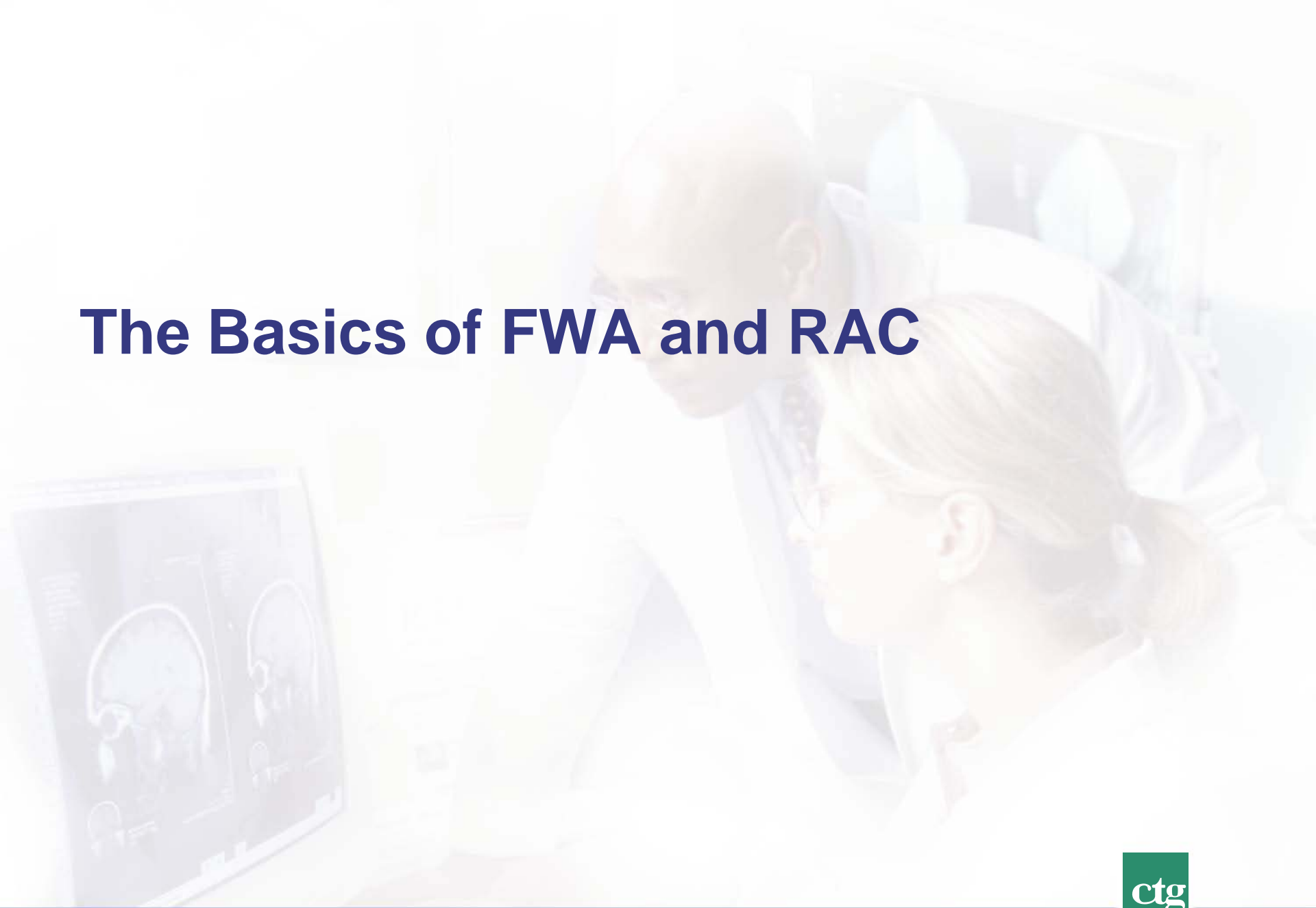
Size of the Bite

Violations of False Claims Act, federal, and state statutes could result in:

- Civil and/or criminal prosecutions and/or
- Recoupment plus penalties and triple damages

***Federal and state governments recoup \$23
for every dollar spent to detect FWA***

The Basics of FWA and RAC



So What To Do?

The Basics

- Everyone has a Compliance Officer
 - Role is frequently retrospective
 - Other responsibilities
- Requires prospective review

CFO/COO
Typically

***Establish
FWA
Function***

FWA Function: A Triumvirate



- Formalize policies and procedures
- Create awareness of extreme negative \$\$\$ and other potentials
- Educate all involved in Medical Records and Billing – or those creating underlying transactions that result in Billing
- Possibly establish function at Audit Committee of the Board
- Have FWA Program approved by outside auditors

What about RAC – and RAC in NC?

RAC Status

- 3 year demonstration in NY, CA, FL, AZ, SC, and MA
- CMS determined RAC program is cost effective (i.e. lucrative)
- Demonstration Project – projected \$1 Billion in improper payments / Medicare Parts A & B
- Netted \$700 Million in recoupments to Medicare Trust Fund
- All states mandated to have RAC implemented no later than 2010

NC Targeted for August 2009 *RAC Region C*

- Audits will be conducted by Connolly Consulting Associates, Inc.
- Some sub work performed by Viant Payment Systems
- NC RAC will be subject to Quality Control through activity review by Provider Resources Inc.

NC starting in 3rd Quarter 2009

Recovery Audit Contractors

- Make their money by:
 - Identifying improper Medicare payments
 - Being paid on contingency fee basis for identifying both over payments and under payments to providers
 - Identified a far greater number of overpayments (96%) than underpayments (4%) during demonstration
 - Appealing an identified overpayment successfully by a provider results in RAC losing contingency fee
- RAC targets claims with high likelihood of impropriety
- Improper payments most commonly occur due to:
 - Incorrectly coded services
 - Medically unnecessary services
 - Insufficient documentation related to the billed service



Recovery Audit Contractors

Types of Reviews

Automated Reviews

- Limited to those claims identified as having a certainty of error or "clinically unbelievable"
- Automated audits and determinations
 - Will not involve support data such as medical records
 - Will be limited to claim itself

Complex Reviews

- Complex audits and determinations
 - Will involve medical record chart review
 - Will focus on claims with a high probability of overpayment

Audits based on CMS statutes, regulations, policies, coverage, and payment requirements, and local coverage determinations



Recovery Audit Contractors

Medical Records Requests

- RACs can/will request medical records from providers *during complex audits*
- Medical records requests
 - Can occur every 45 days
 - Limited to 10% of provider's average number of monthly claims or services in some instances
 - Example:
 - Medicare pays an inpatient hospital, SNF or hospice for 12,000 claims a year, or an average of 1,000 per month
 - RAC contractor can request no more than 100 records every 45 days and can not request more than 200 records every 45 days
- Provider has 45 days after receipt of record request to submit records, by secured means, to RAC for review

Recovery Audit Contractors

Medical Records Requests (cont.)

- Failure to submit requested records within 45 days may result in recoupment demand and loss of appeal opportunity
- Medical records requests timeframes
 - Limited to three years prior
 - Requests prior to October 1, 2007 not allowed
- RACs generally have 60 days following records receipt to complete review before issuing provider:
 - A notice of findings
 - A demand letter if overpayment is identified

Recovery Audit Contractors

Appeal of RAC Determination

- Providers will go through complex process involving 5 levels of appeal
 1. Redetermination by Fiscal Intermediary or Carrier
 2. Reconsideration by Qualified Independent Contractor
 3. Administrative Law Judge
 4. Medicare Appeals Counsel
 5. Federal District Court
- Each level of appeal has specific time frames to file
- Failure to follow time guidelines may result in recoupment occurring



Recovery Audit Contractors

Appeal of RAC Determination (cont.)

- Example:

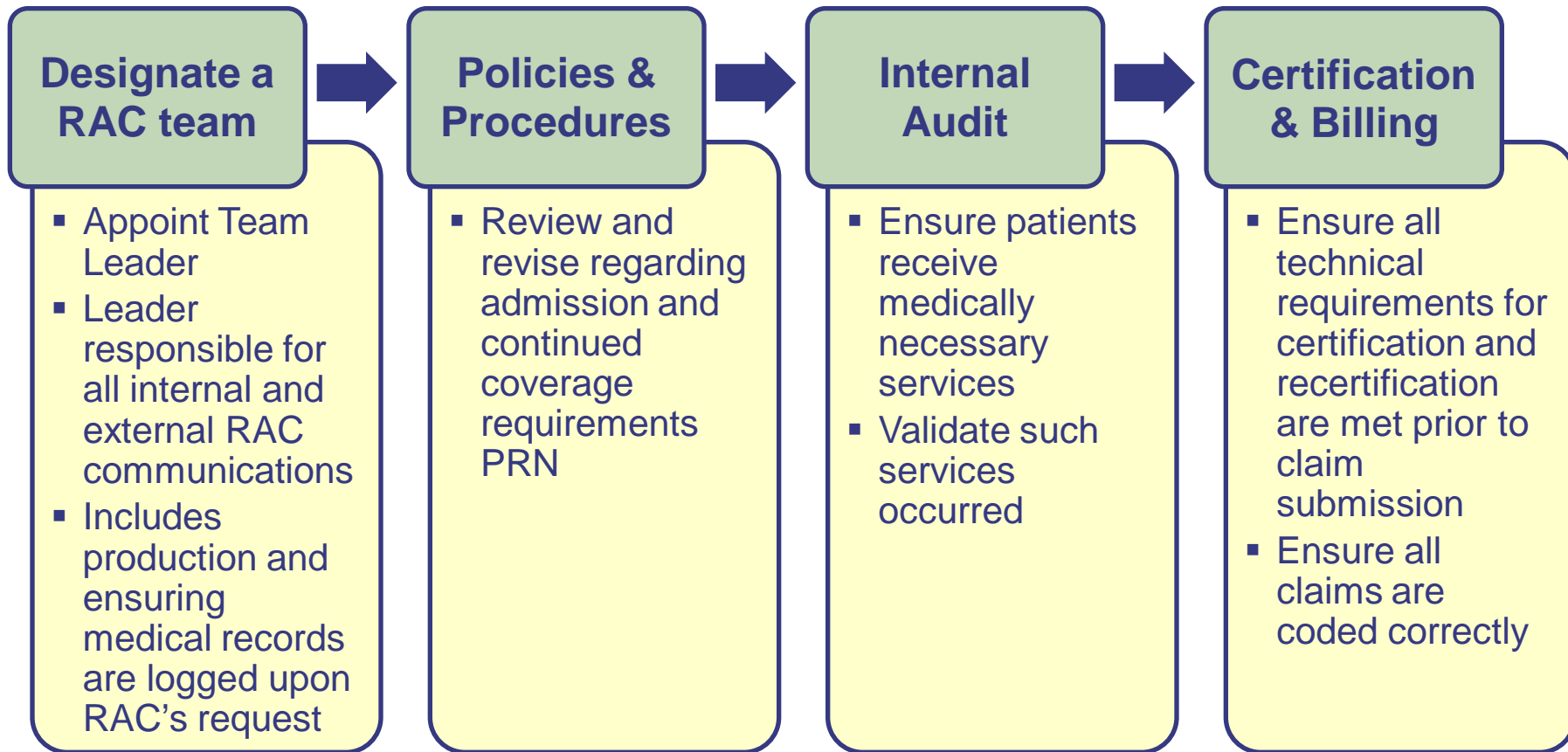
- Provider has 120 days from receipt of demand letter to request redetermination (1st appeal level)
- Failure to do so within 30 days may result in recoupment process starting despite a subsequent appeal

- Rebuttal Period

- Provider can dispute contractor's determination
- However, rebuttal period is not to be confused with your appeal rights

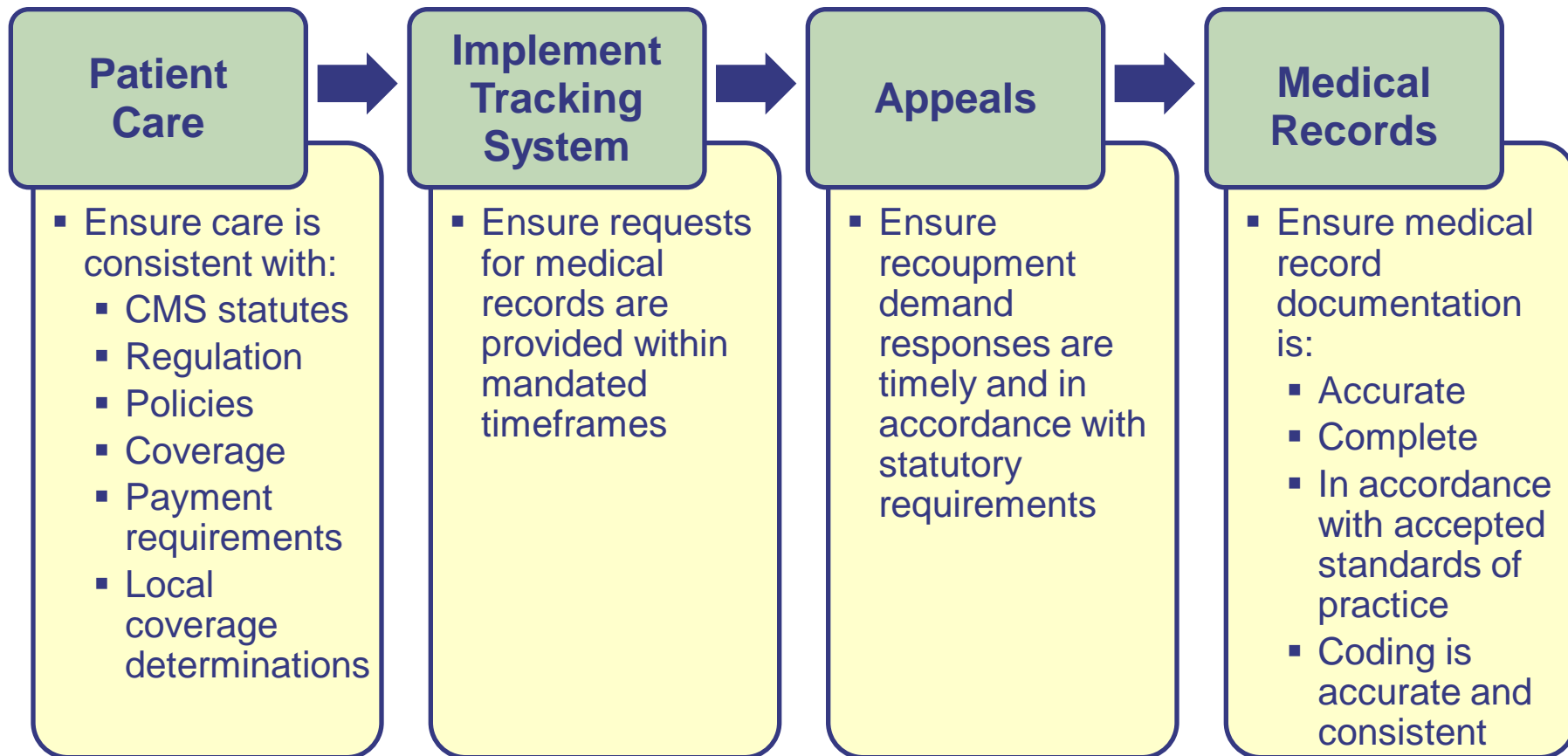
Recovery Audit Contractors

Preparing for RAC Pre Notice



Recovery Audit Contractors

Preparing for RAC Pre Notice (cont.)



Recovery Audit Contractors

Recap

- Any provider billing Medicare Parts A and B is subject to RAC audits
- Demonstration Project
 - RAC recouped most overpayments from hospitals
 - Initially collected approximately \$16 M in five states from SNFs and \$5 M from other providers
 - Hospices and home health agencies were excluded from the demonstration project
 - CMS has clarified RACs will likely begin to receive hospice and home health information this year
 - Hospice and home health claims – 3Q09/4Q09

Get organized • Get educated • Now



Don't Forget the Real Cure

It is excellent to be prepared and manage well during a RAC Audit, the Appeal processes, and related activities.

But –

It is better to implement management programs, processes and tools to:

- ***prospectively*** (look ahead) monitor operations
- while also establishing robust ***perspective*** review prior to claims submission

to safeguard against issuing flawed or fraudulent claims.



A More Advanced Approach



FWA – A More Advanced Approach

Leverages Expertise and Technology

- Traditional FWA Approach
 - Targeting systems limited to codes CPT, ICD-9, etc. with no true understanding of medical implications
 - Uses brute force hard coding and numbers, e.g. CPT 1054 should not go with ICD-9 263478
- A Better FWA Approach
 - Uses additional information resources such as medical expertise and external FWA sources, i.e. ICD -9, CPT, CMS Code Editor, Licensure, PDR, Clinical Guidelines, geographic, dent studies, etc.
 - Extends FWA beyond narrow targeting into complete case management and resolution providing detailed evidence for follow up and recovery of lost dollars
 - Prevents erroneous billing – decreasing fraud allegations and recoveries
 - Goes beyond basic hard coding into using an Ontological approach to data mining



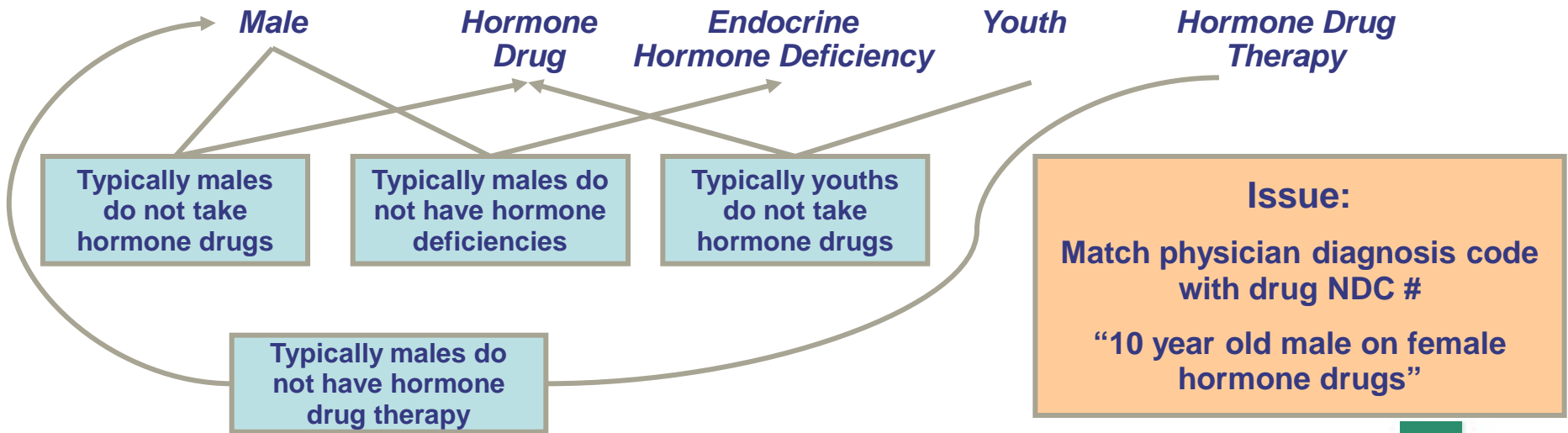
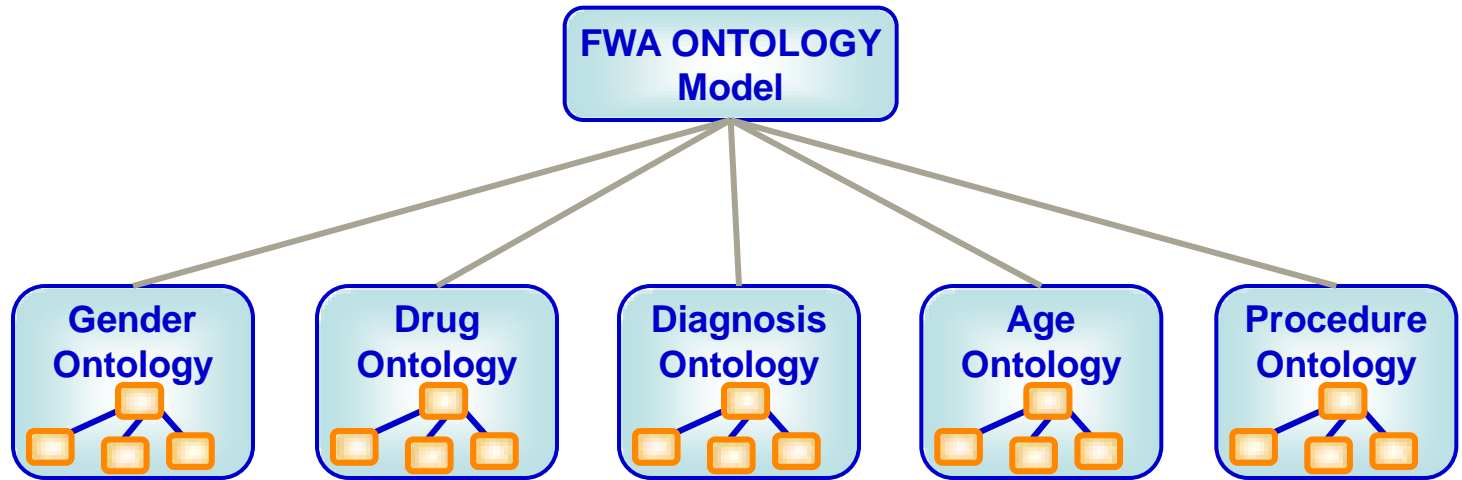
Ontology Definition

Ontology: computer science

- a rigorous and exhaustive organization
- of some knowledge domain
- that is usually hierarchical
- and contains all the relevant entities and their relations

Ontological Approach

Encoding medical knowledge with ontology



Issue:
Match physician diagnosis code with drug NDC #
"10 year old male on female hormone drugs"



CTG Approach

Identifies diverse/complex FWA schemes/errors

Select examples

- Matches claims against suspended/excluded/unlicensed providers
- Identifies duplicate claims submitted for payment (even as though they were different dates of service)
- Flags unbundled, piecemeal, fragmented claims for services already included in other claims
- Links principal diagnosis codes (CPT, ICD-9, etc.) in medical record to billed claims for appropriateness/ relationship
- Matches patient conditions (diagnoses) to medical necessity criteria (rules) established by insurer
- Targets upcoding of DRG and/or diagnosis codes, adding false patient complexities (examples: stroke vs. TIA, excision vs. debridement, incorrect discharge code for enhanced payment)



Ontology Approach

Identifies diverse/complex FWA schemes/errors

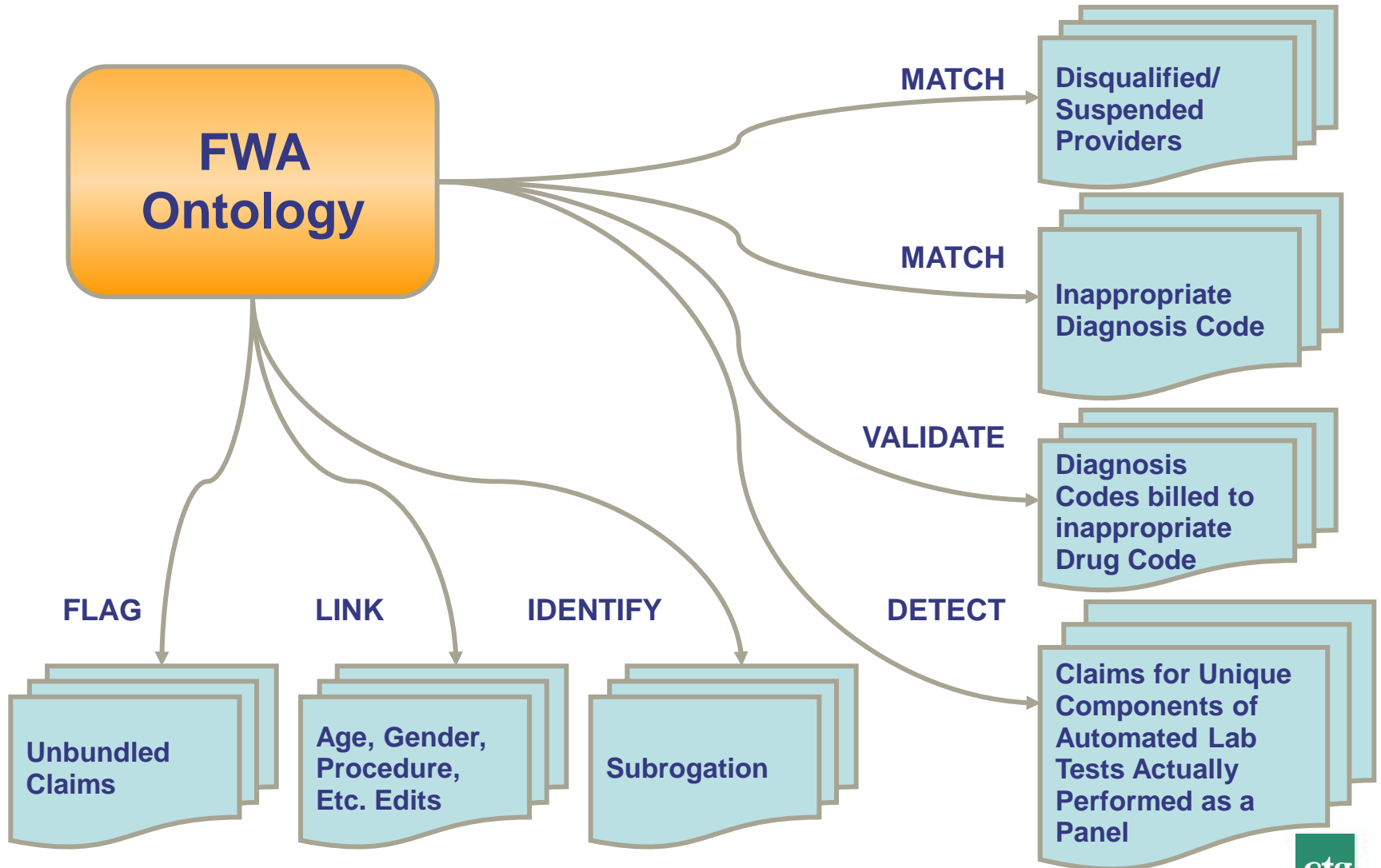
Select examples (cont.)

- Matches patient conditions (diagnosis) to medical necessity criteria (rules) established by insurer
- Matches physician diagnosis codes with drug NDC # for appropriateness
- Links DME ordering physician claims/visits to DME claims
- Links oxygen, diabetic supplies, etc. to diagnosis and clinical standards to check for overutilization/false claims
- Identifies excessive dental time billed per day using dental procedure time study
- Flags Rx for street value drugs prescribed by two physicians within five days – multiple pharmacies
- Detects claims for unbundled components of automated lab tests actually performed as a panel
- Identifies drug/alcohol outpatient treatment claim while institutionalized

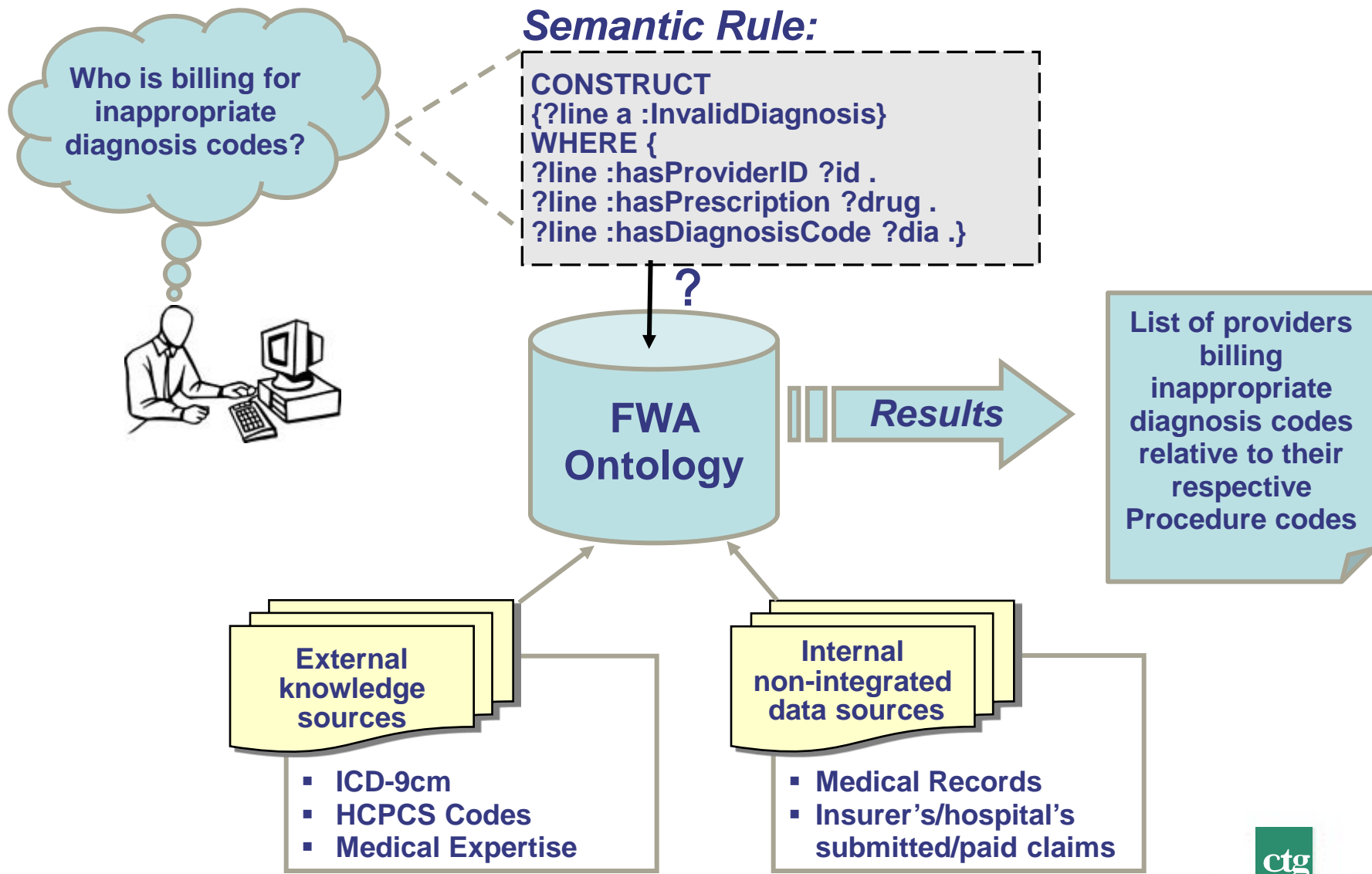


Ontology Approach

Identifies diverse/complex FWA schemes/errors



Identify Inappropriate Diagnosis

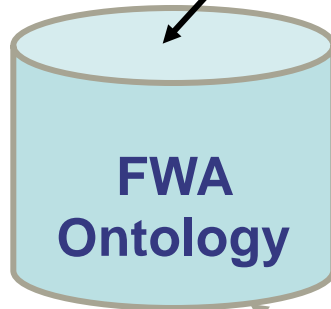


Unbundled Claims

Semantic Rule:

```
CONSTRUCT  
{?line a :OxygenContents}  
WHERE {  
  ?line :lineItemOf ?claim .  
  ?line :lineItemOf ?claim .  
  ?line :hasProcedureCode ?code .  
  ?line :hasProcedureCode ?code1 .}
```

Who is Unbundling medical claims?



Results

List of claims that have been unbundled
By:
Provider names/ID

External knowledge sources

- ICD-9cm
- HCPCS Codes
- Medical Expertise
- Knowledge of FWA Schemes

Internal non-integrated data sources

- Medical Records
- Insurer's/hospital's submitted/paid claims



Benefits of CTG FWA Solution

- Provides overarching ontology-based FWA knowledge base complementing existing client infrastructure
- Interfaces with existing client systems
- Greatly improves efficiency of health system Compliance Department reducing work of several people to one
- Identifies more FWA patterns and higher numbers of FWA targets
- Facilitates evidence collection and case building
- Recaptures FWA losses significantly above current rates
- Deters fraudulent activity significantly reducing future FWA costs
- Reduces expenses related to unnecessary treatment
- Self reporting to RAC should reduce interest, penalty, and over extrapolations



Questions and Answers

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Some Vendors of Potential Interest

Vendor	Product	Web Address
Accuro (MedAssets)	CodeCorrect Knowledge	www.codecorrect.com
Allegiance MD	Allegiance MD	www.allegianceMD.com
Allscripts	Allscripts Care Management (ACM)	www.allscripts.com
Beacon Technologies Group	Spyglass	www.beaconspyglass.com
Compliance 360	Compliance 360	www.compliance360.com
Emdeon	Emdeon MediClaim	www.emdeon.com
Ingenix	Ingenix (Multiple)	www.ingenix.com
McKesson	Pathways Compliance Advisor	www.mckesson.com
McKesson	STAR Optimization Services	www.mckesson.com
SSI Group	Click-On	www.thessigroup.com
SAS	SAS for Healthcare	www.sas.com/healthcare

Thank You!





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