

REVENUE CYCLE & OPERATIONS MANAGEMENT

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New scrutiny on the way

MICs eye overpayments, governance

Executive Summary

Hospitals are facing more intense scrutiny as the Medicaid Integrity Contractor (MIC) program is expected to be implemented throughout the country by the end of this year. Some hospitals already are being caught off guard by requests for documentation from MIC auditors, and the timelines for reply are much shorter than in Medicare's Recovery Audit Contractor (RAC) program. The two programs are similar, but there are key differences that could make some hospitals more vulnerable to the MIC audits.

- The scope of the MIC audits is much broader, covering overpayments as well as governance issues.
- There is no limit to the number of documents the MICs can request.
- The MICs are being paid on a contract basis, but incentives can be awarded based on performance.
- Policies and procedures vary from state to state as the MICs work through state Medicaid Integrity programs.

The letter arrived in early January and it caught administrators at Children's Hospital in Aurora, CO, a bit off guard, according to **Michael Lauf**, MBA, RHIA, the hospital's operations manager. It was from Colorado's Medicaid Integrity Contractor (MIC) program, and it was letting the hospital know that it would be under review by MIC auditors.

In addition, the letter included a long list of materials the auditors wanted to look over, including licensing and certification documents, credential information for all the hospital's service providers, and itemized statements and adjustments relating to 322 patients who received care between 2004 and 2006, Lauf says. (For more information on preparing for the initial encounter with MICs, see story, p. 2.)

"We are really struggling because of the timeframe in which they are querying," says Lauf. The

hospital has made a gradual shift toward electronic medical records since that time, and it has relocated from downtown Denver to Aurora, he notes. Part of this transition has involved the elimination of paper files.

"We have all these records, 25 million pages worth, and we are doing a back-scanning project [to put them into electronic form]," he says. "All of these clinic documents are on a shelf in an off-site storage [facility] being scanned as part of this project."

Children's Hospital is hardly alone in facing new scrutiny from Medicaid auditors this year. The MIC program has experienced a slower and less well-publicized rollout than Medicare's Recovery Audit Contractor (RAC) program, but the program is operational in roughly two-thirds of the country, according to **Amy Fehn**,



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Editor:
Dorothy Brooks
dobr@bellsouth.net

Associate Publisher:
Coles McKagen
(404) 262-5420
coles.mckagen@ahcmedia.com

Senior Managing Editor:
Joy Daughtery Dickinson
(229) 551-9195
joy.dickinson@ahcmedia.com

Director of Marketing:
Schandale Kornegay

Production Editor:
Ami Sutaria

Senior Vice President/Group Publisher:
Donald R. Johnston

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Editorial Questions:
For questions or comments, call Joy Daughtery Dickinson at (229) 551-9195.

BSN, JD, an attorney and former nurse who specializes in health care law at Wachler & Associates in Royal Oak, MI. It should be fully rolled out by the end of the year, Fehn says. Furthermore, health systems that provide care to a high percentage of Medicaid recipients are likely to be even more at risk from MIC auditors than the RAC effort, she says.

MICs and RACs: key differences

There are key differences between the two programs. For example, while the RAC program is largely administered by the Centers for Medicare and Medicaid Services (CMS), the MICs work with each state's Medicaid Integrity Program. As a result, the programs differ from state to state with varying targets, deadlines,



policies, and procedures.

Brian Flood, CHC, CIH, Esq., advisory managing director of health care practice, KPMG in

Austin, TX, says, "You have 56 different programs in Medicaid, reflecting all the states and territories. Every single one of them has its own rules and anomalies."

In addition, while the RACs are focused on fee-for-service Medicare, managed care is prevalent in Medicaid, so the MICs might focus on different targets in some cases, Fehn points

IN DEALING WITH MICS, INITIAL ENCOUNTER IS IMPORTANT

You might have deftly handled a recent Recovery Audit Contractor (RAC) audit with a minimum of difficulty and expense. But that doesn't mean that the process will go just as swimmingly when your organization is targeted by a Medicaid Integrity Contractor (MIC) for review.

"The RACs audit you from a distance, and they ask for up to a set number of records every month over a fairly long period of time...and this conveyor belt continues until they are done with you," explains **Brian Flood**, CHC, CIH, Esq., advisory managing director of health care practice, KPMG in Austin, TX. "The MICs on the other hand -- their protocols have them showing up in your front lobby to have coffee with you, discuss their records request, and do an entrance conference on the audit. That is a very different thing."

Many of these entrance conferences take place by phone rather than in person, acknowledges Flood, but his point is that how you present yourself can make a big difference. "You are going to need the right people with technical skills and the right people with personal skills to [communicate] with the auditors because the impression that you leave with them is as important as the information that you convey," he says.

The idea is to get across to the auditors that the organization is well run and be able and willing to comply with their requests, Flood says. "Thinking about who you want to have face time with the investigator is helpful because that initial encounter is fairly important," he adds.

The MICs won't just show up or call unannounced. You'll receive advance notice of these meeting in the form of a questionnaire that typically includes several fairly straightforward questions and a few "zingers" as well, says Flood. For example, while the questionnaires are not publicized in advance, here are a few of the questions or requests for information that Flood has seen in questionnaires directed to clients:

- Provide a review of your documentation program and papers.

- Provide a complete overview of your claims submission and completion process.
- Provide any policies and procedures related to Medicaid claims submission.
- Provide an organizational chart of employees to contact during the review.
- Demonstrate that you maintain a current copy of the provider handbook in the state.
- Demonstrate that you maintain a current copy of the fee schedule to determine if claims billed are consistent with that of the schedule.
- Show your policies and procedures to determine if any adjustments have been made to claims.

While the MICs are only just getting started with their work, and it is impossible to predict with certainty how much success the auditors will have, hospital systems have more at stake from these reviews than just fines or penalties, Flood emphasizes. "Whenever you get a report back [from the auditors], it goes to your state Medicaid program director, so the state becomes immediately aware of your problems," he says. "It is a coordinated report, so you will also then get contacted by the state Medicaid program and have your participation potentially changed or modified."

Alternatively, Flood says you might end up being subjected to a second review. "It can become very expensive in a hurry if you are going to receive multiple reviews and scrutiny because of governance issues," he says.

There is no question that some health care organizations are going to find themselves a little more vulnerable to the MICs than the RACs, says **Kathy Johnson**, RHIA, director of coding services, Care Communications, a Chicago-based consulting firm that specializes in revenue cycle and health care information management solutions. "It stresses to all providers that they need to put in place a strong compliance program that addresses revenue integrity, regardless of who the third-party payer is."

out. “What we think is that they will look at quality and documentation to make sure services are actually being rendered when providers [deliver care] on a capitated basis,” she says. “I think it is yet to be seen exactly how [the MICs] will deal with Medicaid managed care.”

Another key difference is that the MICs are not being paid on a contingency fee-basis like the RACs. “One of the reasons why the RACs have gotten so much publicity is because of this contingency fee aspect,” says Fehn. “They are being portrayed as bounty hunters, and they have shown themselves to be very aggressive because of the financial incentives.” Alternatively, the MICs are being paid on a contracted basis, but they are also eligible for performance-based fees each year, so they are incentivized to find improper payments.

Furthermore, the term “performance” can mean whatever regulators want it to mean, Flood emphasizes. “The contract is very broadly written,” says Flood, explaining that auditors will be looking not just at overpayments, but also matters of governance. “They are going to look to see if you have all the elements of a traditional compliance program,” he says. “This is completely different than any other audit programs operating.”

Technically, there are three types of MICs. Review MICs go through claims data and identify problem areas for audit MICs to pursue with health care organizations. Education MICs are being established to educate providers, Medicaid officials, and other stakeholders on issues involving payment integrity, care quality, and other issues that arise, although it is not yet clear how these MICs will carry out these tasks.

Use existing infrastructure

Even though the programs differ, many of the same defensive strategies that experts are recommending that hospitals employ to prepare for RAC audits will work equally well in preparing for the MICs, they say. (See “Get ready for RAC: Take these steps now to minimize costly mistakes,” Revenue Cycle

& Operations Management, Sept. 30, 2009, p. 1.)

For example, Fehn is recommending to her hospital clients that they perform self-audits “to make sure they have all their ducks in a row as far as documentation,” she says. Also, for the RACs as well as the MICs, identify a point person to contact, she says. “Make sure you identify the person you want correspondence going to because the last thing you want is for a notification letter or a record request letter to go to some department where it is just going to be set aside,” says Fehn, emphasizing that you don’t want to miss any deadlines.

Similarly, many hospital systems can use existing administrative infrastructure to handle MIC requests, advises **Kathy Johnson**, RHIA, director of coding services, Care Communications, a Chicago-based consulting



firm that specializes in revenue cycle and health care information management solutions. “If you have established a RAC team and you have a protocol for that, this process will work as well for Medicaid Integrity reviews,” Johnson says. However, she cautions that the MICs are giving providers much shorter timelines to respond to requests than the RACs. This timeline varies from state to state, but in some instances providers have just 15 days to pull documentation together.

“There is a substantial difference [between the two programs] in terms of time to get things done,” Johnson says.

Furthermore, a MIC review might require much more time and resources from a provider than a RAC audit. “There is no set limit on the number of records [a MIC] can request,” says Johnson. “We also know that the appeals process will be very lengthy because of the way it is structured.”

There is an additional layer of bureaucracy, she emphasizes. “Medicaid Integrity reviews

are traditionally a state process, but now we have added an overlay of federal [oversight] with CMS’ involvement,” Johnson says. “And there are several steps to the appeals process. It could easily take a year, and I think there will be a lot of dollars tied up in that process.”

Educate staff

At press time, Lauf was in the early stages of going through a MIC review, but it already was obvious that some organizations are going to be caught unprepared by these audits.

“People are going to have a different level of preparedness, depending on what they have gone through in recent history,” he says. “If you have a long-term staff with very little change in your environment, then you will probably be able to turn this around and be very successful in providing the information quickly.”

However, for many organizations, the process is going to be more challenging, Lauf emphasizes. To prepare, educate staff so they can handle MIC requests expeditiously, and be judicious in whom you select to handle these audits, he advises.

“Set things up so that you have accountability,” Lauf says. “You don’t want to have too many people doing this work. You want it to be done right, so in order to be successful, I think you want to have one or two hands doing a really good job, with a clear understanding of what the requirements are.”

SOURCES

For more information about getting prepared for a Medicaid Integrity Program review, contact:

Amy Fehn, BSN, JD, Attorney, Wachler & Associates, Royal Oak, MI. E-mail: afehn@wachler.com.

Brian Flood, CHC, CIH, Esq., Advisory Managing Director, Health Care Practice, KPMG, Austin, TX. E-mail: bgflood@kpmg.com.

Kathy Johnson, RHIA, Director of Coding Services, Care Communications, Chicago. E-mail: kjohnson@care-communications.com.