Compliance Auditing and Monitoring
Seven Component Framework

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Discussion Topics

• AHIA and HCCA Collaboration on Compliance Auditing and Monitoring (A&M)
• Differences Between Auditing and Monitoring
• Seven Component Framework for Compliance Auditing and Monitoring
• Questions and Discussion
Overview of AHIA/HCCA Compliance A&M Project

- Joint AHIA/HCCA Board of Directors’ initiative that occurred as the result of a meeting in April 2004
- Focus group of five first met in June 2004
- Seven Component Framework developed
- Eight articles published
- Series of audio-conferences and seminars occurred
- Additional articles and educational offerings under development
Eight Articles Published by AHIA and HCCA

• Seven Component Framework for Compliance Auditing and Monitoring in Healthcare Organizations
• Performing a Compliance Risk Assessment for Compliance Auditing and Monitoring in Healthcare Organizations
• Developing a Compliance Workplan for Auditing and Monitoring in Healthcare Organizations
• Using Computer Assisted Audit Techniques for more Effective Compliance Auditing and Monitoring in Healthcare Organizations
Eight Articles Published by AHIA and HCCA (continued)

• Emphasizing a Documented Comprehensive Approach to Compliance Auditing
• Implementing a Core Set of Compliance Policies and Procedures
• Compliance Education/Awareness Tools and Techniques
• Auditing and Monitoring Defined
Define Auditing

- Formal review governed by professional standards
- Completed by professionals independent of the operation
- More methodical and structured approach
- Involves planning, sampling, testing, validating
- Formal communication with recommendations and corrective action measures
- Documented follow-up of corrective actions
Accountability for Auditing

• Typically the Chief Audit Executive
• May also be the Chief Compliance Officer
• Involves formal communication to Board and Management
Define Monitoring

• Often less structured than auditing, though audit techniques may be employed
• Usually completed by operations personnel
• Involves on-going checking and measuring
• Can be periodic spot checks, daily/weekly/monthly tests
• May identify the need for an audit
Accountability for Monitoring

- Formal communication is usually to operations leaders
- Typically completed by departmental staff and communicated to departmental management
- If completed related to a compliance work plan, formal communication to Chief Compliance Officer and Compliance Committee
- May involve internal audit or compliance
Auditing and Monitoring Within Your Organization

- Emphasize the difference between auditing, monitoring and reviews
- Stress the importance of consistently using the terminology appropriately
- Develop a system for warehousing and documenting efforts
“Seven Component Framework” for Compliance Auditing and Monitoring

- Perform a risk assessment and determine the level of risk
- Understand laws and regulations
- Obtain/establish policies for specific issues and areas
- Educate on the policies and procedures and communicate awareness
- Monitor compliance with laws, regulations and policies
- Audit the highest risk areas
- Re-educate staff on regulations and issues identified through auditing and monitoring efforts
“Seven Component Framework” Considerations

- Seven components can be used in any order depending on the issue being reviewed
- Application of the Seven Component Framework for a compliance issue should result in effective compliance auditing and monitoring
Compliance Risk Assessment Process

- Determine the scope and preliminary list of compliance risks to be assessed
- Identify your organization’s key compliance risk related data
- Finalize the set of risks to be assessed
- Evaluate control activities and level of risk mitigation
- Calculate risk concern level and rank risk areas based on your customized criteria
- Confirm risk evaluation results with Senior Management and Compliance Committee
- Prepare Performance Improvement Action Plans
- Review Compliance Risk Assessment results with Board Oversight Committee
- Incorporate risk assessment results into Compliance and Internal Audit Plans
Example of Compliance Risk Assessment for Outliers

- Determine history and extent of outlier payments (and related denials) at your organization ($ and volume)
- Compare total outlier payments to total DRG – track and trend over time
- Evaluate the information relative to CMS or Fiscal Intermediary parameters
Involving others in the risk assessment process enables a greater enterprise view and better perspective on risks which takes note of interrelationships and interdependency among risks and takes a portfolio view of risks through the enterprise.
Sources to Understand Laws and Regulations

- OIG Annual Work Plan (published each Fall)
- Advisory opinions
- OIG Office of Investigation reports
- OIG Office of Audit Services reports
- Local Medical Review Policies
- Local Coverage Decisions
- Medical Bulletins and CMS Updates
- Peer Review Organizations
- Contractual Requirements
There are a significant number of resources readily available to assist you in preparing an effective compliance auditing and monitoring work plan for your organization.
Policy Evaluation Process

- Determine if applicable policies and procedures exist
- Analyze policies related to controls
- Implement a process for ongoing communication and updating policies and procedures
- Establish a central role related to policies and procedures (typically within the compliance department)
Having the right set of core compliance policies and procedures in your organization is a key driver for assessing effectiveness of your compliance program.
Compliance Education and Awareness Considerations

- Know Your Audience
  - New Employee Orientation
  - Physicians
  - Departments with very specific needs
  - Contractors, vendors, other non-employees
- Conduct a Learning Needs Assessment
  - Identify specific topics or questions
  - Determine preferred learning method
Compliance Education and Awareness Delivery

- Classroom Sessions
- Computer or Web-Based Training
- Self-Study Materials
- Videos
- Lunch and Learns
- Presentations at Staff Meetings
- Newsletters
- Email Alerts
- Promotional Items
Have fun with your compliance education. Look for experts in education of adult learners within your organization such as nursing educators, or educators within your Human Resources Department to assist in the development of a compliance education and awareness program that recognizes your employee’s learning abilities and makes the best use of available technology.
Monitoring

- Checking and measuring to ensure quality control
- Periodic spot checks to verify that essential functions are adequately performed
- Computer assisted auditing tools and techniques can enable effective monitoring
Monitoring Conclusion by Focus Group

Developing concise measures or key performance indicators displayed in the format of a dashboard can be a powerful tool for monitoring. Measures are displayed in an “at a glance” format that facilitates easy review and helps identify areas that are doing well and areas that need improvement.
Compliance Auditing Approach

• Planning the focus of the compliance audit
• Conducting an opening conference
• Selecting the sample
• Performing the audit steps
• Writing the report
• Documenting the audit and follow-up activities
Following the basic compliance audit steps will enable a compliance audit (with an appropriate level of planning, documentation and communication) to achieve desired objectives as well as facilitate a constructive review process in partnership with the process owner(s) and responsible management.
Re-Education

• Re-test or re-assess the knowledge/understanding focusing on identified issues, controls or breakdowns
• Identify gaps in compliance and understanding during monitoring
• Provide communications or specific education addressing the gaps
Re-education is an essential element in addressing compliance issues in your organization. Evaluating and determining the level of understanding related to specific issues and increasing the organization’s understanding of this issue is a continuous process.
Questions and Discussion