Using RAC Data Mining to Improve Compliance

Lessons Learned at St. Joseph's Healthcare System

HCCA COMPLIANCE INSTITUTE

APRIL 22, 2013
To discuss the specific RAC (recovery auditor) approach used by St. Joseph’s Healthcare System, which has allowed the system to increase its overall net revenue. St. Joseph’s has accomplished this by using a proactive program to make these changes.

To detail the specific process improvement steps that St. Joseph’s has made as a result of its culture of compliance.
Presenters

• William Segal, CIA, CFE, CICA, CFSA
  Corporate Compliance, Chief Privacy Officer and Director of Internal Audit,
  St. Joseph’s Healthcare System

• Samuel Donio, MBA, President
  CBIZ KA Consulting Services, LLC
Who is St. Joseph’s Healthcare System

- 800 + Bed Tertiary Teaching Healthcare System
- Two Hospitals Located in Paterson and Wayne, N.J.
- 150-Bed Nursing Home and Numerous Clinics Located in Northern N.J.
Who is St. Joseph’s Healthcare System — Annual Volume

- 1.8 Million Outpatient Procedures
- 157,000 ER Visits
- 37,000 Admissions/189,000 Pt. Days
- 16,000 Surgeries
- 49,000 Resident (Nursing Home) Days
What Were the Catalysts for Change?

• Worry about recoupments from the RAC (recovery auditor) Program.

• Concern that its internal coding practices have led to a decrease in entitled revenue.

• An understanding that improvement in clinical documentation was needed to improve revenue and compliance.
Our Philosophy: Compliance Pays

• History has taught us that the more compliant a hospital is, the greater its revenue.

• To be compliant, hospitals need to ensure that they capture entitled revenue. We have seen hospitals lose entitled dollars because of:
  – Incomplete medical records
  – Vague clinical documentation
  – Overly conservative coding

• As hospitals adopt more stringent compliance procedures, these problems can intensify without better documentation and follow up processes.
St. Joseph’s RAC Plan

• Reduce the number of potential RAC overpayment accounts.

• Increase entitled reimbursement.

• Install a robust education program to improve compliance, coding and physician documentation.
First, develop an aggressive strategy for reducing the potential for RAC recoveries of overbilled patient accounts that includes:

- Reducing Known RAC Risks
- Identifying Hidden Risks
- Correcting Root Causes
- Educating Medical and Coding Staff
Second, find the hidden potential risks and develop a strategy to aggressively reduce potential underpayments:

- Through data mining, identify the hidden RAC risk
- Quantify the hidden RAC opportunity
- Improve revenue through a proactive documentation improvement process
St. Joseph’s Approach to RAC

Third, develop a process for identifying and correcting accounts within Medicare's deadline for rebilling underpayments that includes:

• Timely identification of these accounts
• Submission of corrected bills within 60-day window
• Education and training to reduce recurrences
I. The Known RAC Risks: Surprise Is Not A Strategy

RAC Audits and rock slides are both unannounced and are best overcome with preparation and constant vigilance.
The Known RAC Risks

- Inpatient Coding Downgrades
- Medically Unnecessary Short Stay Admissions
- Setting of Care for Surgeries (Inpatient vs. Outpatient)
- Three-day Discharges to Skilled Nursing Facilities
- Readmissions
How St. Joseph’s Reduced Known RAC Risks – Data Mining

• Data mining was the key to reducing St. Joseph's known RAC risks.

• Data mining provided:
  ▪ A rational basis for its proactive approach.
  ▪ An ability to actively prevent the continuance of problematic practices.
  ▪ Critical extra time to evaluate problematic cases.
  ▪ The opportunity to collect additional documentation when facts were fresh.
Optimal RAC Data Mining

What Optimal Data Mining Does:

– Analyzes all accounts and identifies specific accounts for specific reasons

– Looks at the specific relationships between charges, procedures and diagnoses

What Is Not Optimal Data Mining

– A sampling of a focused RAC Area

– PEPPER reports – PEPPER tells you there is smoke; Optimal data mining shows you where the fire is
Where St. Joseph’s Uses Data Mining

• Inpatient and Outpatient Coding

• Short-stay admissions

• Inpatient vs. outpatient surgery cases

• Three-day discharges to skilled nursing

• Readmissions
# How St. Joseph’s Uses Data Mining

## RAC Risk and Reward Reporting

### Inpatient Coding Analysis

**Sample Hospital**

**MS-DRGs 870/871/872 Septicemia**

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**Overpayment and Underpayment Identification**

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Reason Why Case is Selected
D = Incorrect Diagnosis Code
P = Missing Procedure Code
C = Irregular Charge Analysis
R = Reward Potential

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II. The Hidden RAC Impact
The Hidden RAC Impact

We have observed coding levels dropping. We believed that this drop is due to the influence of the RAC and other audit programs.

• Coders are afraid of recoupments.
• Pressure not to hold up the process of getting bills out.
• Coders are often working with incomplete files.
• Little disincentive for undercoding accounts.
• “Better to be safe than sorry.”
The Hidden RAC Impact

• The Short Putt Effect
The Hidden RAC Impact
Symptoms We Noticed At St. Joseph’s

• A spike in the number of cases with a potential for improved coding.
• A significant increase in the number of cases with a change in the DRG.

Were we seeing defensive coding?
The Hidden RAC Impact
Symptoms We Noticed At St. Joseph’s

• In our target population of likely RAC cases, 20% of the cases identified as potentially underpaid resulted in a DRG change, with an average change of approximately $5,200.
Sample St. Joseph’s Short Putt Case – Septicemia

Data mining identifies underlying types of charges coupled with a high length of stay and multiple CCs.

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Quantifying the Hidden RAC Impact

We are seeing the short-putting phenomenon in almost all of our clients, which leads to the erosion of true CMI. The erosion of true CMI is happening in facilities across the country, regardless of region, size, makeup of the workforce, etc. Using the following test, see if you are experiencing the same thing.
Quantifying The Hidden RAC Impact

• Compare your case mix distribution between MCC/CC and Non-CC cases between 2013, 2012 and 2011.

• Make sure you neutralize for your facility’s Observation Impact.
Observation Impact

• What is the Observation Impact?
III. Process Improvement
Process Improvement

- Data Mining
- Reviews
- Identification of Documentation Issues
- Education
Process Improvement – Data Mining

• **Identify Specific Accounts for Specific Reasons**

• Some examples of reports St. Joseph’s uses
  
  - IP Coding
  - Medical Necessity
  - Readmission
  - DRG By Physician
  - Three-Day Discharges to SNFs
Process Improvement – Focused Reviews

- Highest potential reward (or underpayment) accounts selected for review
- Up to 60 accounts selected at a time
- HIM pulls patient records for review
- PFS pulls the uniform bills
- Independent 3rd party performs on-site review
- Exit meeting conducted with HIM staff to review preliminary results
Process Improvement – Clinical Procedures

• Physicians contacted – physician queries initiated

• HIM reviews query responses and makes final determination

• HIM completes DRG worksheets and forwards to PFS
Process Improvement – Rebilling Accounts

PFS Process Improvement Procedures:

• Makes corrections to diagnosis and/or procedure codes.

• Adjusts claims electronically for revised coding.

• Scans all DRG worksheets into document imaging.

• Tracks all claims until payment has been adjusted and received.
Process Improvement – Education

• Identified issues are placed on future physician and training agendas

• Comprehensive education programs are established for physicians and clinicians
Why Education is so Important: Two Fertile Areas

• Acute Blood Loss Anemia
  ▪ Without specifically identifying “acute blood loss anemia,” coders cannot code to these particular higher-paying DRGs, even though other elements in the medical record supports the higher-paying DRG.

• Excisional Debridement
  ▪ Physicians must describe the actual debridement in detail. Without a clear indication of an “excisional” debridement in the physician notes, hospitals run the risk of losing entitled revenue, either due to recoupments or undercoding.
IV. Summary and Results
St. Joseph’s Process

- St. Joseph’s identifies risk and reward accounts monthly and, through data mining, achieves the following:
  - Improvement happens in “near real time”
  - Issues are addressed proactively
  - Success can be measured
  - Continued problematic areas remain a focus
  - Corrective action is identified when it occurs, not when the RAC knocks on the door
St. Joseph’s Process

The Process Utilized:

• Cases are selected by using an outside data mining product that identifies specific cases at risk.

• Each case targeted for review is rated as at risk or high risk.

• The specific reason for risk rating is provided by the data mining.

• Internal and external auditing resources are utilized to review the case and determine status.

• When appropriate, medical protocols are reviewed.
St. Joseph’s Process

Using the process to improve documentation:

• Continual monitoring allows for the identification of specific areas for education and/or data improvement.

• Problematic doctors are identified and additional support is provided.

• Areas where medical necessity will be questioned are identified early and are reviewed by the Medical Director.

• Areas where treatment protocol issues exist are identified early and risk is minimized.
St. Joseph’s Improvements

• Some of the improvements made at St. Joseph’s include:
  – Better Documentation
    ▪ Fewer cases are selected from data mining, due to improved documentation
  – Several treatment protocols have been revised
  – Case management is focusing on problematic areas
Net Revenue Results

• With a focus on reducing risk and compliance, St. Joseph’s was able to increase its net revenue by over $1M.

• Through data mining and focused reviews, St. Joseph’s was able to improve its compliance.

• Compliance = Improved Documentation = Reduced Risk = Increased Entitled Reimbursement.
Questions?
Thank You

• For further information, please contact

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  973-754-3565