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How to Handle a Medicare Audit

Generally speaking, the question isn't if you get a Medicare audit, it's when. Every Medicare claim undergoes statistical analysis, and Medicare compares individual claims data to all other data submitted. In addition, it now does so in real time. It's important to understand how a Medicare audit works, so that you can handle it successfully.

Medicare audits fall loosely into two types: a prepayment review and an analysis of claims after payment. Prepayment claims are the most common type, and are typically random reviews by carriers that look at just one or two of each physician's claims. The primary purpose of such a focused review is to educate a physician about a coding problem. It could lead to a refund of a single overpayment.

On the other hand, in a comprehensive review, a carrier reviews a small sample of claims and uses the data culled to project overpayment for a period of months or years. In that context, the physician has three options:

1. Pay the assessment.
2. Waive appeal and provide evidence that the assessment is incorrect.
3. Retain the right to appeal, but have the carrier review a larger sample of charts (usually the best option).

Given that some level of Medicare audit is generally inevitable, here are some suggestions on how to deal with one:

Contact your attorney immediately. Your attorney can advise you on the audit's level of seriousness and how best to respond to it. Don't assume that it's routine — treat all requests for information seriously.

Read the audit letter carefully. Make sure to provide all of the requested information when responding.

Submit a copy of the complete record. This includes not just records from the date of service in the audit letter, but chart information as well.

Ensure all medical records and copies are legible. If the records aren't clearly readable, have the illegible record transcribed and included with the copies of the original records. Make sure no information has been cut off.

Include related X-rays or other diagnostic studies. It's important to include everything that's part of the patient's records.

Don't alter the medical records after receiving the audit notice. But, if there are orders, consults or other materials that haven't yet been filed, file them as you normally would. Place a brief summary of the patient's care with each record. This doesn't replace the record, but helps any auditors not familiar with your specialty.

Insert an explanatory note or supporting guidelines. These may involve local coverage determinations or medical literature to support unusual procedures or billings.

Don't delay. Submit the materials before the deadline.

Follow up. If you communicate with the auditor via telephone, follow up with a letter confirming the communication.

In most cases, a Medicare audit is routine and minor. At worst — especially if delivered by an FBI agent or government official — the audit could lead to charges of fraud and hundreds of thousands of dollars of repayment. The key is to stay cool, document everything — and immediately consult with your attorney and financial expert.

Sidebar: Potential Hurdles to Health Care Blockchain

Blockchain technology holds much promise for the health care industry, but its adoption and implementation won't be without challenges. Blockchain will require substantial investment to create the necessary technological infrastructure. After already spending large sums in recent years on electronic medical records, information technology security and other costs, some hospitals might not have the necessary capital on hand.

Blockchain also faces the same hurdle that electronic health records, which are a prerequisite to blockchain, and other technological developments have stumbled over — physician reluctance to go digital. Many doctors remain married to paper, and appropriate change management initiatives may be needed to get them on board.

In addition, patients may harbor security concerns — especially after reports earlier this year that one of the largest cryptocurrency exchanges was hacked. Blockchain could run afoul of the Health Insurance Portability and Accountability Act, too.

Further, blockchain works on consensus. It could prove difficult to achieve such agreement among the many different providers, payers (both private and government) and other involved parties.

Blockchain is Coming to Health Care

In a nutshell, Blockchain technology generally refers to a digitized, decentralized ledger or database that inalterably records and shares information kept secure via cryptography. The information is stored in chronological blocks, each of which includes a timestamp and a link to a previous block. Blocks can't be changed or deleted. The blockchain is distributed across networks (rather than stored in a central database) and accessible to anyone authorized to use the software.

In a medical context, blockchain could make patient records more accessible. For instance, each time a physician saw a patient or wrote a prescription, he or she would add a block to the chain — or patient record. Any subsequent provider could then see that information and make more informed treatment decisions, regardless of which electronic system he or she is using.

Potential uses:

Data exchange/interoperability. As mentioned above, blockchain can supply the building blocks for the sharing of information by multiple parties according to agreed-upon industry standards. It's able to facilitate seamless access to a single source of longitudinal patient data and jettison the need for costly and time-consuming data reconciliation.

The technology can be used to distribute everything from prescription histories, allergy lists, and imaging and lab reports to advance directives, powers of attorney and emergency contact information. Blockchain also is capable of incorporating data from patient wearables such as fitness trackers and portable heart monitors, allowing for real-time advice from providers.

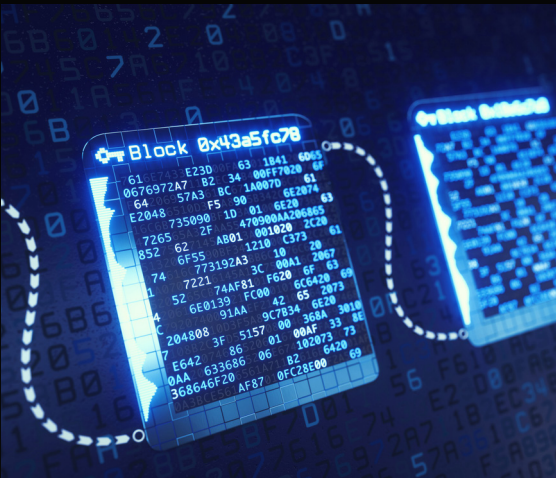
Data security. Another commonly cited benefit is security. Because it uses encryption and the blocks can't be changed, blockchain is seen as a strong tool for maintaining the security of patient and other vital confidential data. Moreover, in blockchain, patient data is associated not with individual names but with their unique identifiers, adding another layer of security.

Billing and claims processing. Inalterable blockchain treatment records can reduce the risk of billing-related fraud. Blockchain could automate claims submission (reducing the possibility of human error or incomplete information), claims adjudication (removing the human element from decisions to pay or deny claims) and payment processing. Such automation would likely cut administrative costs and expedite the revenue cycle. Drug supply chain integrity. Counterfeit drugs are a growing problem for both pharmaceutical manufacturers and the patients who receive them. A blockchain system can keep a chain-of-custody record, tracking each step in the drug's supply chain. It's able to monitor other supply chains, too.

Clinical trials/research. Many clinical trials are never reported, leading to safety risks for patients and gaps in knowledge among researchers and practitioners. Blockchain records of clinical trials and results can eliminate these issues. It's also capable of eliminating the potential for false reporting of results. In addition, researchers can use the technology to compile and share data, which could help public health officials identify pandemics and similar population concerns more quickly.

Impact is imminent.

Some form of blockchain is likely to have an impact on the health care industry. Hospitals and medical practices would be wise to begin looking into the technology and its implications for their operations — sooner rather than later.



Mitigate Risk with Insurance Coverage

Malpractice insurance is obviously a must for every medical practice — but it might not cover every potential issue that could arise. It's important for physicians to understand the various types of insurance available, whether medical or business-related, and determine whether the risk entailed is great enough to require coverage.

The medical side

Here are some types of medical insurance that practices may want to obtain:

Human resource malpractice. Employee allegations of discrimination, wrongful termination and sexual harassment aren't uncommon. Coverage is available to protect physician owners of the practice, human resource managers and the employees who committed the wrongful acts. Basic coverage extends to damages awarded to the employee-plaintiffs in the matter, while separate coverage may be purchased for legal defense fees.

Misappropriation of sensitive patient information. The news media report frequently about the unauthorized taking or disclosure of sensitive patient data. The exposure of the information may be accidental (computer system failure) or committed by an employee or a nonemployee hacker (cyber breach, identity theft). In addition to providing the usual coverages (damages, legal fees), insurance policies may help affected patients recover from the incident by restoring their impaired credit.

The business side

Here are some types of business insurance that may be helpful for medical practices:

Employee theft. Insurance coverage for this risk provides protection if an employee steals or embezzles money or property from the practice. The theft of money may come from either accounts payable or accounts receivable. The minimum recommended base coverage is \$100,000. The insurance carrier for this coverage (and many of these other coverages) should work with the practice to minimize the risk of an employee misappropriating practice assets.

Practice-engaged vehicles. Insurance protection is required for vehicles engaged in practice businesses under two circumstances. First, the practice may own — and buy traditional insurance coverage for — vehicles used by its physicians and staff to carry out business responsibilities.

Second, it's also possible that employees may occasionally use their own automobiles to make bank deposits, pick up medications

and test results, and run other errands for the practice. To protect against injury to an employee or third party in this latter situation, it's necessary to maintain nonowned auto insurance. The typical coverage limit is \$1 million and limits coverage to specific business use of personal vehicles. (Use limits may be set forth in the employee handbook.)

Business overhead expenses. If a physician in a small or solo practice can't work because of a disability or other problem, overhead expenses such as staff payroll, office rent and utilities will continue to be incurred. It's possible to buy an insurance policy that will provide the cash flow required to cover these expenses, allowing the practice to continue operating. The policy is marked by a 30- to 90-day waiting period between the start of the disability and the initial benefit payment. Typically, this coverage will pay overhead expenses for one to two years.

Umbrella protection. This policy protects against claims that exceed the coverage limits on any of the other types of insurance that the practice may carry. It may also fill in policy gaps, such as legal fees incurred to defend claims against the practice. Typical coverage is \$5 million to \$10 million.

"Key employee" coverage. Life insurance and disability policies covering the lives and working abilities of practice members are essential to its ongoing success. Typical examples are the physicians and other employees who are sources of significant revenue.

Both sides

Don't take unnecessary risks with the welfare of your practice. Take the time to explore these different types of insurance and protect your long-term profitability.



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Medical Practice Key Performance Indicators

Within a medical practice, it's possible — though not necessarily desirable — to measure anything and everything, ranging from the number of patients per day to the amount of time spent on phone calls. So what should your medical practice measure?

Here are some common, practice-related key performance indicators (KPIs):

Monthly charges. This involves charges for patient visits and ancillary services before any discounts or contractual allowances. Monthly collections. How much the practice actually received, compared with how much you actually billed.

New patients. Depending on the type of practice, new patients can be the lifeblood of your business. Pay particular attention to results related to marketing efforts.

Total patient visits. Tracking how many patients come in for appointments weekly, monthly, quarterly and annually is especially important to track year to year. Look for trends related to your marketing efforts or other factors, such as seasonal changes.

Accounts receivable (AR). This is monies owed the practice, which is also a measure of how long claims are overdue. Typically, the most useful metric is how many "days in AR" accounts remain

— or the average number of days it takes for payments to arrive. There are specific best-practice metrics for AR, but a rule of thumb is that claims that remain unpaid for more than 90 days should be less than 20% of the practice's total AR.

Per visit value (PVV). Sometimes called revenue per visit, PVV is how much money the practice receives per visit. This is calculated by dividing the collections by total patient visits. It underlines how each provider in a practice is doing compared with others on clinical protocols and services utilization.

Net collection ratio. This is collections divided by the sum of production less contractual obligations. A healthy practice typically has a net collection ratio between 90 and 98% after adjustments.

First-pass denial rate. This indicates what percentage of claims are billed correctly. A healthy practice has a first-pass denial rate of less than 5%.

Use your KPIs to track trends weekly, monthly, quarterly and yearly. A trend can highlight an issue which can be solved before it becomes a major issue.

Choose your KPIs carefully and create an action plan for using the data to increase profits and patient satisfaction.