

A COMPLIANCE OFFICER'S GUIDE TO DOCUMENTATION AUDITS

Common audit types can be found below. Audit goals, operational factors, and budget should be considered in determining the number of samples, the date range, sample selection technique, and scope of audit. Compliance officers need to determine if an audit should be conducted under attorney-client privilege.

GOVERNMENT OR COMMERCIAL PAYER REQUEST OR INVESTIGATION AUDIT

This type of audit is driven by a specific government or commercial payer request, notice, or investigation. This situation requires thoughtful attention to audit design and scope.



Depending on the situation, special focus audits such as limited review, schedule and impossible day scenario audits may be necessary.

Review of government auditor's statistical processes and assumptions by a qualified statistician is recommended. There are frequently errors in government auditors' statistical methods.

In addition to audit comments, brief appeal summaries are helpful for claims for appeal to QIC or ALJ levels.

COMPLIANCE PROGRAM AUDIT

A compliance program audit is part of a provider's ongoing Compliance Program Audit Plan. Providers may elect to use an independent third-party consultant to perform audits to help demonstrate "effective compliance program" while freeing up internal resources for other activities.



When audits are typically performed in-house, an independent auditor may be used as a "tie-breaker" when internal stakeholders are not able to find agreement in the grey areas of audit.

COMPLIANCE RESPONSE AUDIT

In a compliance response audit, a provider has some documentation, coding or billing concern flagged through day-to-day operations and ongoing internal audit.



TRANSACTIONAL DUE DILIGENCE AUDIT (BUYER)

The "buy side" initiated audit is part of the overall due diligence process. This type of audit is often referred to a "Revenue Integrity Audit."



A pre-close audit of paid claims is a critical step of due diligence for a buyer.

Typically, a buyer wants to assess risks related to the documentation, coding and billing practices of its acquisition target. This audit can identify potential risks which may provide the buyer with additional negotiating leverage and may influence the terms of the deal. Audit results may be a springboard for additional contract protections for the buyer and post close operational improvements.

Sometimes audit results drive change the structure of deal from an equity deal to an assets only deal. In some cases, funds are placed into an escrow account to handle potential downstream liabilities.

TRANSACTIONAL DUE DILIGENCE AUDIT (SELLER)

A "sell side" transaction audit is conducted by a seller who wants to assess level of compliance of its documentation, coding and billing practices prior to a buyer doing a more formal diligence audit assessment.



This audit may be done several months to a year prior to "shopping" the deal, allowing time for the seller to provide education and make any improvement indicated. A sell side audit can foster a successful and speedy diligence process. It may result in increased negotiating leverage and may even increase the value of the company.



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