

Chapter 10. Audits

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10.1 Charge Audits

10.1.1 Program Overview

The purpose of the charge audit program is to ensure that claims have been paid according to the terms of the provider's contract with Mountain State. Audits may be conducted onsite at the provider's office or facility or by requesting that medical records be mailed to Mountain State.

Mountain State will typically provide at least two-weeks advance written notice of intent to conduct an on-site audit. Audits are performed during regular business hours and with as little disruption to the provider's operations as possible.

We may request to review records for services extending back two years prior to the date of the request. Exceptional circumstances may necessitate review of records beyond the two-year period (e.g. occurrence of systemic billing errors, etc.). In addition, certain group accounts or government programs may require longer audit periods.

A charge audit may seek to verify that:

- The patient was eligible at the time of service;
- The service billed was a covered service;
- Billed services were medically necessary and appropriate;
- Billed tests and procedures were in fact ordered, performed and received;
- Billed charges are consistent with approved charges (e.g. charge master), where applicable;
- Charges are not discriminatory (are not applied differently to Mountain State than to other payors);
- Coding accurately reflects services performed;
- Coding adheres to recognized guidelines and practices;
- Services billed are supported by necessary and appropriate physician orders, medical records and other documentation;
- Payment was made at the reimbursement rate or allowed amount established in the provider contract;
- Other party liability and Workers' Compensation claims are reported;
- Incorrect payments (duplicates, over/underpayments) are identified; and
- Overpayments are recovered and underpaid amounts are paid.

Statistically-valid sampling and extrapolation may be used in charge audits.

10.1.2 Use Of Outside Firms

Mountain State may enter into arrangements with outside auditing and consulting firms to perform charge audits and other types of provider audits on our behalf. For example, Mountain State presently contracts with outside entities to perform DRG validation audits and charge audits of hospital inpatient and outpatient services paid under percentage of charge discount contracts.

10.2 Special Investigations

The Mountain State Special Investigations Unit (“SIU”) is responsible for recovery of funds improperly paid resulting from overpayments, fraud, abuse, systemic errors, misrepresentation or concealment of facts.

Cases are often investigated as the result of calls to the Mountain State toll-free Fraud hotline, 1-800-788-5661, by providers and members. The telephone number is included on Explanation of Benefit (“EOB”) forms sent to Mountain State members.

The provider should be alert to improper use of identification cards or other practices that defraud Mountain State, the provider or other third party payors. Anyone who becomes aware of an account, member or provider who may be engaging in these practices should notify SIU.

SIU also performs provider audits. These audits are often performed when providers are identified as outliers in comparison to their peers. SIU’s procedure for auditing providers may include the use of statistical sampling and extrapolation. If the sampling reveals a consistent pattern of overcharging or other fiscal abuse by the provider, the provider will be required to reimburse Mountain State for the projected total overpayment. The calculations for computing such an overpayment are described in Section 10.5 below.

Due to the nature of the underlying overpayment, recovery efforts by SIU are often exempted from normal time period limitations for imposing retroactive denials or otherwise adjusting previously paid claims.

SIU can be contacted through the Fraud Hotline.

10.3 Evaluation and Management Coding

Mountain State periodically performs audits of providers who have been selected based on their utilization and billing patterns, relative to their peers, of Evaluation & Management (“E/M”) codes for new and established patients.

A statistically-valid random sample of records for the questioned services is requested. Typically, qualified nursing staff or Certified Professional Coders (CPC) perform the audit. In the performance of the audit (whether pre- or post-payment of claims), the auditor will use the following criteria to assess adequacy of documentation of the level of service billed:

- applicable E/M Service Guidelines published by the American Medical Association (“AMA”) in the CPT code book;
- 1995 and/or 1997 Documentation Guidelines for E/M Services published by CMS; and
- the requirement in Mountain State subscriber certificates that services be medically necessary (see Section 6.5.2 of this *Provider Manual*).

Audit results are documented using a form modeled on the CMS E/M audit worksheet. A copy of this form is posted on the Mountain State website. Providers may wish to use it for self-audits to monitor their compliance with recognized documentation standards.

At the conclusion of an audit, the results are shared with the provider in writing. Copies of the audit worksheets are available upon written request. The provider is afforded the opportunity to rebut audit findings. A face-to-face meeting with Mountain State is available to:

- Ensure the provider understands the audit process and results;
- Answer any questions regarding correct billing or documentation standards;
- Afford the provider an opportunity to furnish additional information; and
- Discuss repayment arrangements, if applicable.

E/M audits will document instances of overcoding, and undercoding if found in the claim sample. In the event Mountain State determines that documentation supports a higher E/M level than billed, Mountain State will give credit for the underpayment in the calculation of extrapolated payment error.

In addition to E/M audits focused on the correctness of the level of service billed, Mountain State may also conduct retroactive audits to determine the appropriateness of the use of Modifier 25 and other modifiers related to E/M services. In performing such reviews, Mountain State will use as its primary audit standards the descriptions of the modifiers set forth in the AMA CPT code book, as well as the E/M guidelines described above.

10.4 Other Outlier Audits

In addition to E/M reviews, Mountain State actively monitors provider billing practices and conducts other audits and reviews for purposes of detecting inappropriate, inaccurate or abusive billing patterns, as well as monitoring quality

of patient care. Data on provider services for specified time periods are compiled and compared with other providers within the same specialty/provider type and geographic peer groups.

Those providers that appear to have abnormal or excessively high utilization patterns may be subject to further analysis, including desk or field audits. Such audits will entail a review of the provider's records supporting the submitted claims, and may employ overpayment extrapolation methods, as described in Section 10.5 below.

10.5 Sampling and Extrapolation

Mountain State's procedure for auditing providers may include the use of statistically-valid random sampling and extrapolation. If sampling reveals a consistent pattern of overcharging or other fiscal abuse by the provider, the provider will be required to reimburse Mountain State for the projected total overpayment. The calculations for computing such an overpayment shall be made as follows:

1. The overpayments in the audit sample shall be totaled;
2. This total shall be divided by the number of audited cases to determine the average overpayment; and
3. This average overpayment shall be multiplied by the total number of applicable cases for which the provider received payment during an audit period to determine the total overpayment.

The provider will be notified in writing of the amount to be recovered with appropriate documentation to support the findings. After receipt of the notice of overpayment, the provider may within 30 days request a conference to allow an opportunity to present additional information or to discuss an extended repayment plan.

10.6 Audit Appeals

Challenges to audits set forth in this Chapter 10 may be requested pursuant to the following appeal processes.

Non-physicians:

- Level I: Within 30 days of receipt of the audit letter, the Provider is permitted to submit additional records or information that they feel are pertinent to the audit findings. The results of the additional audit will be communicated to the provider via certified letter.

- Level II: Within 30 days of receipt of the first level appeal results, the Provider is permitted to request a review by a Mountain State Medical Director or other appropriate reviewer, as selected solely by Mountain State, of any records or documents in question. The results of the Medical Director review will be communicated to the Provider via certified letter.
- Level III: Within 30 days of receipt of the second level appeal results, the Provider is permitted to request a review by an independent third party, which has been contracted by Mountain State to handle billing disputes

Physicians (MDs and DOs):

- Level I: Within 30 days of receipt of the audit letter, the Provider is permitted to submit additional records or information that they feel are pertinent to the audit findings. The results of the additional audit will be communicated to the provider via certified letter.
- Level II: Within 30 days of receipt of the first level appeal results, the Provider is permitted to request a review by a Mountain State Medical Director or other appropriate reviewer, as selected solely by Mountain State, of any records or documents in question. The results of the Medical Director review will be communicated to the Provider via certified letter.

If a physician is not satisfied with the outcome after the Level II review, please see Chapter 13, Section 8 for the “Billing Dispute External Review Process – BDERP” that is available.