 JOHNS HOPKINS MEDICINE JOHNS HOPKINS HEALTH SYSTEM	The Johns Hopkins Health System Policy & Procedure	<i>Policy Number</i>	FIN072
	<i>Subject</i>	<i>Effective Date</i>	05-11-09
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POLICY

This policy applies to The Johns Hopkins Health System Corporation (JHHS) and the following affiliated entities: The Johns Hopkins Hospital (JHH), Johns Hopkins Bayview Medical Center (JHBMC), and Johns Hopkins Community Physicians (JHCP), and Howard County General Hospital (HCGH).

PURPOSE

To establish guidelines and procedures for third party audits of medical records and other official documents prepared by JHHS or its affiliates. Audits are conducted for the following reasons:


- To bill or rebill a payor for charges that were not originally on the claim;
- To make appropriate adjustment(s) for items or services that were insufficiently documented; and/or,
- To periodically validate the accuracy of the billing process.

All JHHS affiliates will cooperate fully in authorized audits by internal and external auditors and accommodate organizations conducting third party audits in accordance with the provisions of this Policy. In the course of a third-party audit, the basis for determining what care has been rendered shall be the patient's permanent medical record and other official documents prepared by each affiliate.

I. Conditions for Audit:

The following conditions must be met at least 45 working days prior to the scheduled date of the audit:

1. A formal written request must be made, including the patient's name, medical record number, and dates of service, notification of who will be performing the audit, authorization from the payer and/or the patient that the audit is allowed and that patient's Protected Health Information (PHI) may be released to the auditor to the extent necessary to conduct the audit.
2. Request for all retrospective audits should occur within six (6) months of final payment.
3. Payment of required auditing fees must be made in accordance with the terms shown in 'Audit Fees' Section II of this Policy.
4. All Payers must pay 90% of the available insurance benefits.
5. If claim is in appeal process, audit is delayed until final determination is made.
6. Audits not scheduled within 90 days from receipt of notice of intent to audit will be canceled. Audits may be rescheduled for a period of up to 90 days of original scheduled date. Audits not performed within this 90-day timeframe will be canceled and payer will be notified in writing.
7. Payers (not including Maryland Medical Assistance accounts for any unbilled services beyond the billing statute) agree to pay 100% of undercharges (missed billed and unbilled charges) found in audit and the costs of any legal review associated with such undercharges. No distinction will be made between missed billed and unbilled charges. Missed billed charges are defined as item count discrepancies of a billed service and unbilled charges are defined as charges not having been billed.

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Upon finalization of audit, payer will be given an Audit Worksheet signed by the Charge Defense Specialist which will itemize undercharges as well as overcharges. The Audit Finalization Sheet will net all charges. Payer's representative will sign the Audit Finalization Sheet, acknowledging any refund due or charges due. Appropriate Patient Financial Services billing department will generate UB for undercharges and will accept this sheet as the final bill. Payer will generate a payment for the undercharges within 45 days of the date of the Audit Finalization Sheet. JHHS will issue payment for any refund due within 45 days of the date Audit Finalization Sheet.

8. The Auditing Firm must agree to abide by the terms of this policy and the AHA Audit Guide.
9. Payers may only retract payment for non-covered services that have been provided if retraction is done within six (6) months from date initial payment was made for such services.
10. All audits must be conducted on the hospital premises. No off-site audits will be accepted.

On the day of the audit, the auditor must bring some form of identification and a copy of the audit request and present it to the Charge Defense Specialist. The Charge Defense Specialist will verify the auditor's identification prior to the auditor having access to the patient's PHI.

II. Audit Fees

An audit fee of \$50 per account will be required in advance and must be received by the Charge Defense Specialist prior to the scheduled audit date. Audit fees will be waived for intra-JHHS audits or reviews, or by directive from senior JHHS management.

This audit fee will be waived if there is a signed contract between either the insurer or the auditing firm and the JHHS affiliate that specifies that no audit fees will be assessed, or if the claim amount is less than \$1,000.


A cancellation/late fee of \$75.00 will also be imposed on the payer or external auditor if the audit is canceled with less than one (1) business day's notice or if the auditor is more than three (3) hours late for a scheduled audit, unless the terms of a signed contract between the payer or auditing firm and the JHHS affiliate specifies that no such fees will be assessed.

III. Auditor Qualifications

JHHS and its affiliates expect auditors and Charge Defense Specialists to have knowledge, experience, and expertise in the following health care areas:

- Format and content of a health record as well as other forms of medical/clinical documentation;
- Auditing principles and practices as applicable to billing audits;
- Terminology and coding including ICD-9-CM, CPT, HCPCS;
- Billing and charging procedures, and claim forms such as UB-04, HCFA 1500, EOB's;
- State and federal regulations concerning the use, disclosure and confidentiality of all patient records; and,
- Nursing, critical care units, specialty areas and/or ancillary units involved in a particular audit.

If auditors do not meet these qualifications, JHHS Charge Defense Specialist will immediately contact the audit firm or sponsoring party. Any auditor who appears to have a conflict of interest with respect to the audit shall be reported to the appropriate person at the sponsoring organization. Content of the audit is confidential to the affiliate and the auditor.

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IV. Audit Outcomes

External auditors are required as specified by the audit agreements to report audit outcomes during an "Exit Interview" process. This interview process will include the JHHS affiliate Charge Defense Specialist and departmental representatives if unsupported charges are questioned. The audit finding will be discussed and reasons for all charge denials must be provided in writing by the auditor.

Charges that meet the following criteria will **not** be challenged or refuted during the exit interviews:

- Less than \$50.00
- Less than 1% of bills totaling up to \$100,000.00
- Less than 0.5% of bills totaling up to \$250,000.00
- Less than 0.25% of bills totaling more than \$250,000.00

The auditor will also generate a final audit report, which will be reviewed by the Charge Defense Specialist.

1. If the Charge Defense Specialist concurs with the external Auditor's findings and it appears that a refund is due the Payor, the Charge Defense Specialist will net all undercharges and missed charges on Audit Finalization Sheet. The Audit Finalization Sheet will be used as a final bill to the payer.
2. If the Charge Defense Specialist concurs with the external auditor's findings and a refund is due the payer, the Charge Defense Specialist will initiate a refund request, subject to the signature authority guidelines (see JHHS Finance Policies and Procedures, **FIN017 – Patient Accounts: Third Party Audit Settlements**). Charges that are not substantiated will be reversed from the account.

JHHS Charge Defense Specialists will meet on a regular basis with Patient Financial Services management and appropriate personnel from revenue-generating units or departments to review and analyze the monthly audit reports, and to recommend corrective actions to prevent future losses.


REFERENCES

JHHS Finance Policies and Procedures

- Policy No. FIN017 - Signature Authority: Patient Financial Services
- Policy No. FIN064 - Third Party Billing Practices

AHA Audit Guide

The Health Insurance Portability and Accountability Act of 1996
Maryland Annotated Code, Insurance Article 15-1008, and 15-1009


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RESPONSIBILITIES - JHH, JHBMC

1. Charge Defense Specialist
 - a. Review audit requests to ensure compliance with **Conditions for Audit**, Section I of this Policy
 - b. Coordinate procurement of itemized bills and medical record/charge support.
 - c. Conduct exit interviews with external auditors; refute overcharge determination with additional documentation, as necessary; prepare documents for refund requests and/or supplemental billings.
 - d. Verify auditor identity on day of audit.
 - e. Review audit request to ensure compliance with Conditions for Audit Section I of Third Party Charge Audits Policy FIN072.
2. Medical Records Personnel
 - a. Provide requested medical record volumes.
3. Ancillary/Clinical Department Personnel
 - a. Provide additional documentation to support charging practices and participate in exit interview, if necessary.
 - b. Generate charge transactions to support any undercharges identified through the audit process.
4. Patient Financial Services Billing Department
 - a. Generate UB04 for undercharges on account and forward to payer.
5. Patient Financial Services Management
 - a. Report outcomes of audits to revenue center management personnel.

PROCEDURES - JHH & JHBMC

1. Charge Defense Specialist
 - a. Coordinate audit at request of third party payers as follows:
 - 1) Third-party payers and Medicare audits are scheduled 30 working days in advance. They require the following information:
 - Patient's full Name
 - Account number
 - Dates of confinement
 - Total bill amount
 - Name of payer and audit firm.
 - 2) State (Medicaid) and CareFirst Audits are scheduled in advance on a monthly basis. Signed consent forms are not required. They require the following information:

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- Patient's full name
- Account number
- Dates of confinement
- Date of birth
- Total bill amount

Third- party payers must provide advance notice to cancel or re-schedule an audit. (See Section II of this Policy, **Audit Fees.**)

- b. Inform third-party payers of audit structure and ensure collection of fees prior to audit.
- c. Verify identity of auditor prior to release of PHI.
- d. Retrieve itemized bills from the automated billing system for patients' accounts selected by auditing firm and provide these to Auditors.
- e. Request the medical records corresponding to patient bills selected and provide them to auditors by date of scheduled audit.
- f. Obtain any additional documentation requested by auditor to support charges appearing on patients' bills.
- g. Support and defend hospital charges where appropriate, using clinical knowledge, HSCRC Regulations, COMAR, and other pertinent documents such as clinical pathways, protocols, etc.
- h. Resolve any discrepancies between the bill and supporting documents.
- i. Meet with auditor in an exit interview to review the auditor's report. Mutually agree on timeframe with auditor for resolution of any outstanding issues.
- j. Sign off on mutually agreed report. Prepare Final Audit Adjustments Report. Enter data into Charge Defense Audit database.
- k. Prepare any necessary refund request or supplemental billing information in support of the audit findings and forward to Charge Defense PFS Support to route to appropriate Patient Financial Services personnel.

2. Ancillary/Clinical Department Personnel

- a. Work with Charge Defense Specialist to provide supplemental documentation, as required.
- b. Submit detailed charge transactions to support billing of charges identified as "undercharges" during the audit.

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- c. Acknowledge "overcharges" as identified through the auditing protocol.
 - d. Participate in the exit interview, if necessary.
- 3. Patient Financial Services Management
 - a. Meet with Charge Defense Specialist (or other appropriate individuals) on a regular basis to review audit reports and consider corrective actions to prevent future losses.

PROCEDURES - JHCP

Third party audits are highly unusual for JHCP. In the event of a third party request for audits, the requests will be coordinated by the Health Cost Management Department. Appropriate representation will be obtained from the Claims and Provider Relations Departments and any other areas as deemed necessary.

SPONSOR

Senior Director, Patient Finance (JHH, JHHS, JHBMC, HCGH)
 Senior Director of Finance (JHCP)
 Director of Revenue Cycle (HCGH)

CYCLE REVIEW

Three (3) years

APPROVAL


 Vice President of Finance/CFO and Treasurer, JHHS

5-15-09
 Date