3M Science. Applied to Life.™

3M Health Information Systems

A case study in coding compliance: Achieving accuracy and consistency

The challenge

Coding compliance risk is coming at your healthcare organization from all directions today—the Office of Inspector General and the Department of Justice (OIG/DOJ), the Recovery Audit Contractors (RACs) from the Centers for Medicare & Medicaid Services (CMS), as well as many other federal and state audits. Even healthcare reform and the "pay-for-performance" and "pay-for-outcomes" initiatives are pushing more costly compliance measures onto your hospital.

No hospital wants to face an auditor without a clear understanding of its own compliance profile. No hospital wants to suffer regulatory fines, civil and criminal penalties, and a damaged reputation. And when margins are thin, no hospital can afford to waste time and resources on rejected claims and rework. By focusing on coding accuracy, your organization can achieve coding compliance and realize financial benefits by:

- Avoiding over-coding, which brings with it compliance risks and the possibility of fraudulent overpayments
- Avoiding under-coding, which means you are leaving money on the table
- Reducing rejected and reworked claims and write-offs

The solution: 3M Audit Expert System and Services

Although compliance issues can also arise from shortcomings in clinical documentation or billing processes, the point of coding is the optimal place to address compliance. Any record that leaves your HIM department with compliance issues will send those problems downstream into your billing system and revenue cycle, becoming even more difficult and expensive to detect and correct.

To consistently achieve and maintain compliance, your hospital needs a robust tool set for compliance reviews and audits. Ideally, this tool set should be integrated with an encoder to provide a consistent self-help mechanism that allows a hospital to be more proactive in its own record auditing.

In the current regulatory environment, a hospital must go far beyond home-grown spreadsheets, manual data gathering, and spot-check audits. Today a hospital really needs to look at **100 percent of the inpatient coded records every day**. Noncompliance is a needlessly expensive proposition, because many issues can be detected and corrected the first time and in real time at the point of coding by using the **3M™ Audit Expert System**.

3M Audit Expert can provide compliance edits to the coder interactively during the actual coding session, so corrections can be made on the spot. A complete audit trail is created to document the edit and the coder's response. Through consistent use of 3M Audit Expert, coders can help reduce billing delays and also help the billing department submit clean claims the first time. Coders also receive timely and consistent documentation query feedback, which helps them continuously improve their coding skills.

An HIM director, a compliance officer and a CFO can also get the reports they need from 3M Audit Expert with **real data in real-time** to meet their daily working needs as well as assist them during an audit. 3M Audit Expert offers hundreds of reports that are invaluable to an organization when it becomes necessary to defend and document coding practices.

In addition to the software, when clients purchase 3M Audit Expert, they also receive wraparound consulting from **3M Consulting Services**. Early in the implementation process, 3M consultants begin with an initial screening of the hospital's claims with 3M Audit Expert's edit content.

By focusing on coding accuracy, your organization can achieve coding compliance and realize financial benefits.

Taking the "before" compliance picture

The initial screening allows the 3M team to describe how a facility is performing and how it compares with CMS data (MEDPAR) and four self-selected peer hospitals. 3M consultants analyze the client's claims data and prepare a very detailed presentation that shows:

- How the organization is performing under **MS-DRGs** (both medical and surgical categories, major CCs, CCs, etc.). Using bar graph displays, the 3M consultants show the client hospital where it stands currently, historically and with the four self-selected comparison hospitals against the 80th percentile of hospitals nationally.[1]
- How the organization is performing when the data is analyzed with the **3M™ APR DRG Classification System** to identify **severity-of-illness** (SOI) and **risk-of-mortality** (ROM) factors present in the patient mix (currently, historically and with the four comparison hospitals).

The initial report shows the favorable and unfavorable by comparing the organization's ROM to the state's data. It also reflects the SOI by capturing diagnostic and procedural coding based on the medical staff's documentation.

Benefits of the "before" picture

- Understand your own base line
- Recognize key strength areas that hospitals often do not have a chance to demonstrate "on paper"
- Identify documentation and coding issues you may have missed in your own audits
- Analyze mortality and morbidity data concurrently from the coding perspective
- Identify the next course of action—for example, should you:
  - Focus on problematic DRGs?
  - Create site-specific edits for areas that may have specific pain points for your hospital?
  - Address clinical documentation improvement or coder education?

Taking the "after" compliance picture

3M consultants return to the client's site approximately one year later to deliver the "annual checkup" review. This compliance protocol consists of a focused mini-chart review and evaluation of how the coding staff has used the 3M Audit Expert System's compliance rank edits. This onsite annual review demonstrates how the 3M Audit Expert System and the organization's compliance efforts are impacting the coding and documentation performance. 3M can then help "fine-tune" the 3M Audit Expert System and the client's internal coding compliance processes to help reduce compliance risk and the potential capture of lost reimbursement.

3M consultants examine real-life examples in an onsite coaching session with your facility, identify compliance exposure, and recommend steps for improvement. This allows clients to see the progression of their own compliance programs by the assessment of how well the 3M Audit Expert System is being used.

1 3M calculates the 80th percentile for this report—it is a projection based on historical MEDPAR data. Clients provide their own claims data to 3M for the analysis. The claims data consists of preferably six to twelve months of PPS-paid inpatient "traditional Medicare" discharges (where the primary payer is Medicare).

The case study: “Hospital A”

Because compliance is a sensitive topic, the actual 3M client featured in this case study will be referred to as “Hospital A.” The following description provides the context for the results that were measured and observed from Hospital A’s use of the 3M Audit Expert System.

3M solutions used by Hospital A

- **3M™ Coding and Reimbursement System**
- **3M™ APCfinder™ Software**
- **3M™ Coding Reference and Coding Reference Plus Software**
- **3M™ Advanced Analyzer**
- **3M™ All Patient DRG Grouper Software (state-specific)**
- **3M™ APR DRG Grouping Software**
- **3M™ Medical Necessity Dictionaries**
- **3M™ Ambulatory Revenue Management Software**
- **3M™ Audit Expert System**
- **3M™ ClinTrac™ Clinical Abstracting Software**
- **3M™ Core Grouping Software**
- **3M Consulting Services**

Snapshot of Hospital A

Location: Eastern United States

Type of facility: 700+ bed acute care teaching and research hospital with many specialties and services, including a cancer center, numerous cardiac specialties, and geriatrics

Annual inpatient admissions: More than 70,000

Annual outpatient visits: More than 2.5 million

Annual emergency room visits: More than 100,000

Timeline for Hospital A’s implementation and progression

March/April 2009: The 3M Audit Expert System is installed and becomes operational in Hospital A.

Mid-April 2009: 3M consultants presented the initial screening report. Hospital A provided 3M with PPS-paid inpatient “traditional Medicare” discharge claims data spanning Jan. – Dec. 2008, and 3M used the most current (2007) MEDPAR data.

July 2010: 3M consultants performed the first annual checkup report. Hospital A provided 3M the consultant report listing of Medicare patients from May 2009 – April 2010, and 3M performed a focused mini-chart review that allowed the client to assess compliance exposure and take steps for continued coding compliance improvement.

Case study results: compliance exposure and case mix index

Perhaps the most useful—and compelling—data comparisons provided in both the initial screening and annual check-up reports are the "ratios." The ratios are represented in bar graph format and are an easy way for a hospital to benchmark itself against its own historical data and data for four self-selected peer hospitals.

The ratios concisely show where a hospital stands and how it is progressing on coding and documentation issues and process improvement. 3M focuses on four prominent, compliance-sensitive MS-DRGs for the comparisons:

- Complex vs. simple pneumonia
- Atherosclerosis vs. angina pectoris
- Septicemia vs. UTI
- Intracranial hemorrhage vs. transient ischemia

The four sets of ratio graphs for Hospital A and its comparison sites are shown below and set side-by-side to easily see the initial report content (from 2009) next to the annual check-up content (from 2010).[2]

2 Hospital A was given the following disclaimer regarding the initial screening report and the ratio graphs: "The comparative data in the report reflect ratios of the 80th percentile of hospitals nationally, based on MEDPAR data for Medicare discharged inpatient cases. These statistics should be used solely as a tool in conjunction with your determination of whether or not (1) diagnoses and treatments are medically necessary, and/or (2) such diagnoses and treatments are being documented and coded in accordance with your policies, rules and other relevant laws and regulations. These statistics are not intended to suggest or propose any documentation or coding decisions regarding an individual patient, or a population of patients in a facility."

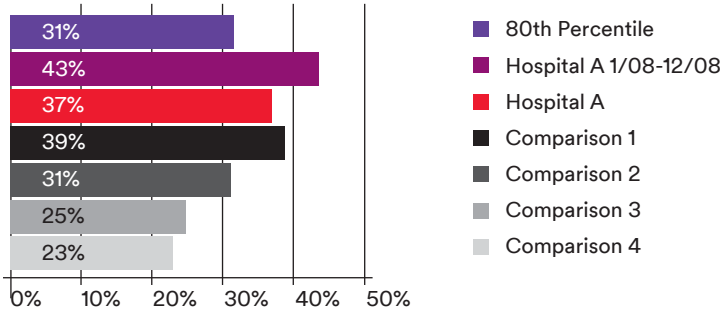
Complex vs. simple pneumonia

Looking at the "before" and "after" ratio graphs below for complex vs. simple pneumonia cases in Hospital A, a 3M consultant could make these observations to the client:

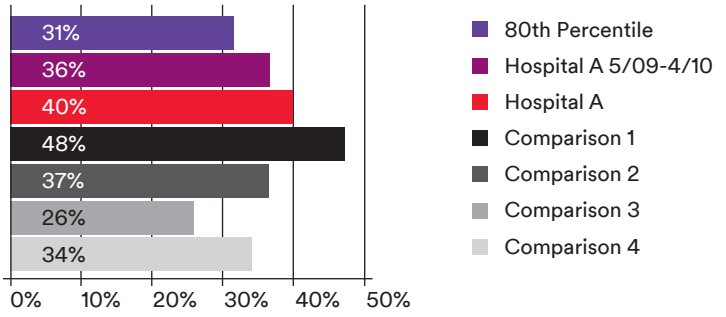
- Hospital A data is still showing an increase in complex vs. simple pneumonias, which is a true compliance issue; the hospital could become a target for auditors and the OIG because the results are too far out from the national norm (the 80th percentile)
- Although the "after" report shows Hospital A is correcting in this area, the numbers are still high enough that the client should do second-level reviews on complex vs. simple pneumonias
- Hospital A leaders might want to ask themselves these questions:
  - Are we truly treating sicker patients when it comes to complex pneumonias?
  - Are our physicians documenting this information so that it can be clinically supported?
  - Can these results be explained by changes in our patient population?

MS-DRG 177+ 178 + 179 vs. 193 + 194 + 195, complex vs. simple pneumonia

Source: MEDPAR data 2007, hospital-provided data



Source: MEDPAR 2008, hospital-provided data

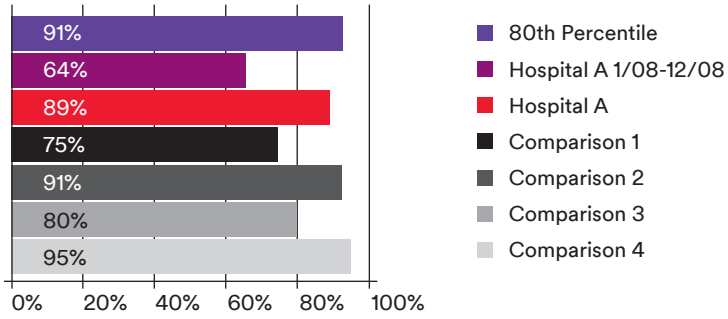


Atherosclerosis vs. angina pectoris

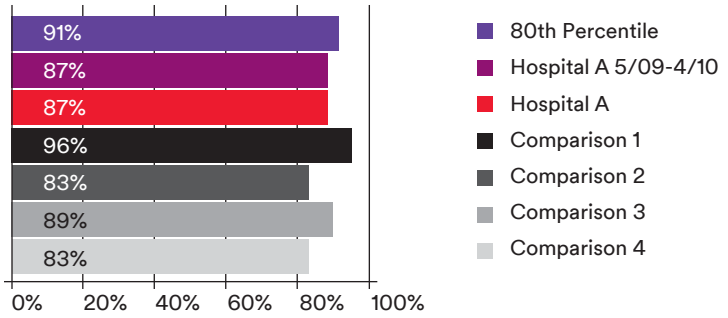
To a 3M consultant, these ratio graphs point clearly to a coding problem that has been corrected (a coding error between coronary artery disease vs. angina). 3M consultants would recommend that Hospital A first address physician education to make sure the clinical documentation is correct, which in turn will correct the coding error.

MS-DRG 302 + 303 vs. 311, atherosclerosis vs. angina pectoris

Source: MEDPAR data 2007, hospital-provided data



Source: MEDPAR 2008, hospital-provided data

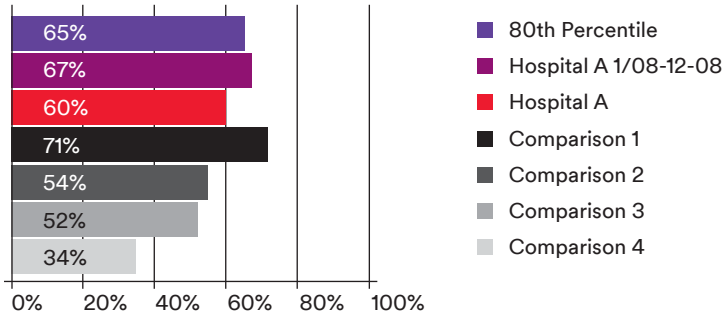


Sepsis vs. UTI

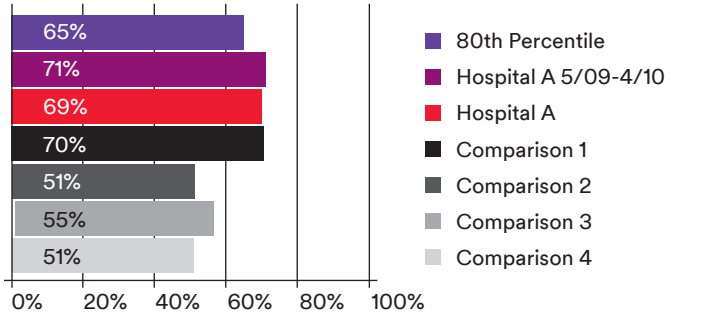
Although Hospital A remained "stable" in the sepsis vs. UTI arena, the 3M consultant would caution the hospital that this is a strong area of RAC concern and recommend they perform second level reviews of the clinical documentation, setting these second level reviews up as pre-bill audit reviews.

MS-DRG 870 + 871 + 872 vs. 689 + 690, septicemia vs. UTI

Source: MEDPAR data 2007, hospital-provided data



Source: MEDPAR 2008, hospital-provided data



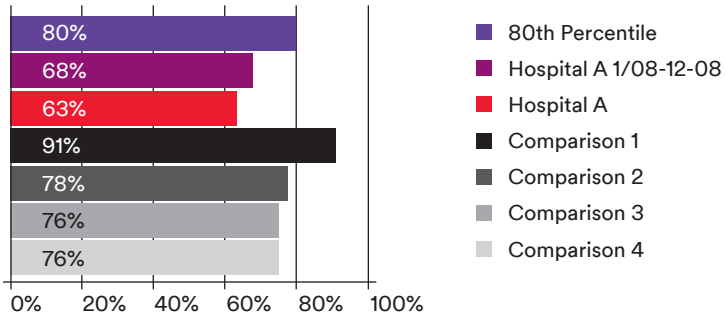
Intracranial hemorrhage vs. transient ischemia

Hospital A remains historically below the 80th percentile in this area and the numbers have actually worsened in the "after" picture. Approved stroke centers are closer to the 80th percentile in this category. The 3M consultant would ask Hospital A:

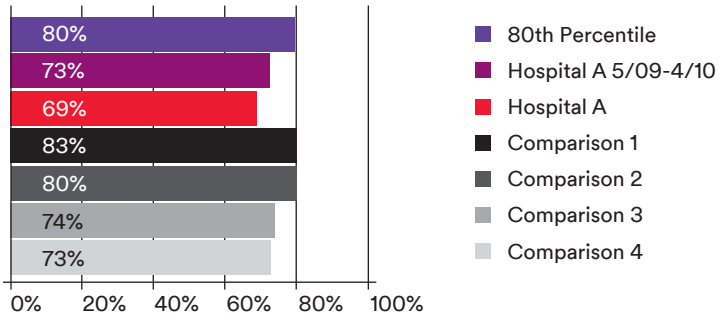
- Are you sending stroke patients elsewhere or treating them as outpatients?
- Do you have an LOS issue that is impacting this data?

MS-DRG 64 + 65 + 66 vs. 69, intracranial hemorrhage vs. transient ischemia

Source: MEDPAR data 2007, hospital-provided data



Source: MEDPAR 2008, hospital-provided data

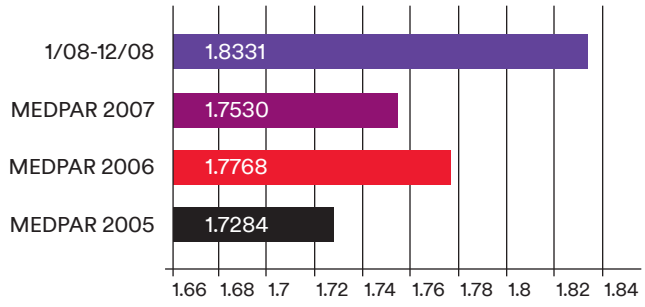


Medicare case mix index

A clear indicator of coding and documentation compliance activity is the improvement in Hospital A's Medicare case mix index (CMI) as revealed below in before and after snapshots. *(Note: the blended rate for hospitals has also gone up yearly.)*

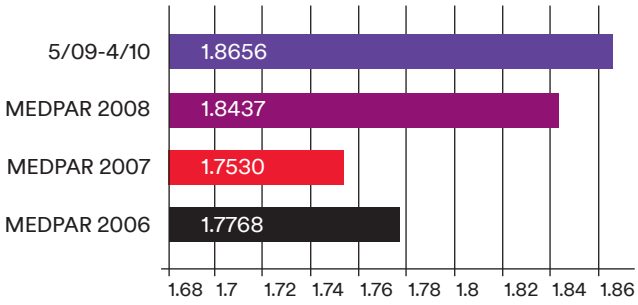
Hospital A's CMI in 2009 ("before")

Medicare CMI



Hospital A's CMI in 2009-2010 ("after")

Medicare CMI



Three-group cluster: Major CCs + CCs vs. non-CCs

3M consultants also include a rich cross-section of Medical and Surgical data for various "clusters" of MS-DRGs with Major Complications and Comorbidities (Major CCs), CCs, and non-CCs. These bar graphs are "deep dives" into how well a hospital's documentation and coding are capturing major medical and surgical complications and comorbidities. Here is **just one example** of this type of three-group MS-DRG cluster:

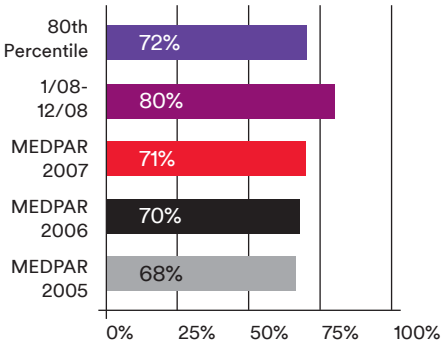
MS-DRG Example	Description	RW
291	Heart Failure and Shock *with Major CC*	1.2585
292	Heart Failure and Shock *with CC*	1.0134
293	Heart Failure and Shock *without Major CC or CC*	.8795

The reports below include **all** three-group clusters with major CCs plus CCs vs. non-CCs (not simply the heart failure example shown above), and are based on MEDPAR and Hospital A's data.

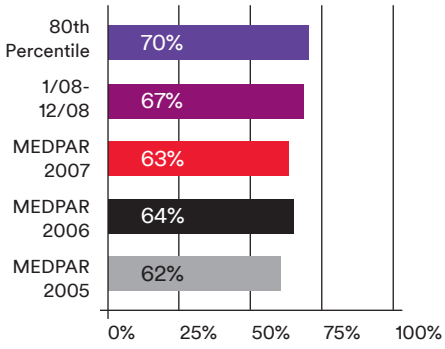
In Medical CC Capture, Hospital A has pulled to within two-percentage points of the 80th percentile after a year of using 3M™ Audit Expert—a clear improvement from the eight-point difference in the "before" report. In Surgical CC Capture, 3M consultants can congratulate Hospital A on staying within three percentage points of the national norm both before and after using 3M Audit Expert.

"Before" report for Hospital A:

Medical CC Capture

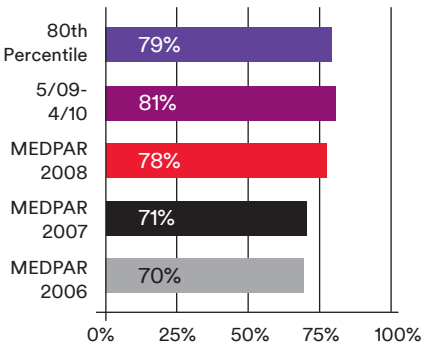


Surgical CC Capture

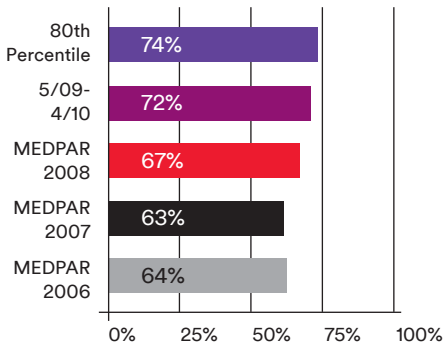


"After" report for Hospital A:

Medical CC Capture



Surgical CC Capture



Additional benefits of 3M Audit Expert

- Applies a proactive, preventive approach to compliance programs
- Allows internal/external auditors to retrospectively review coded records, make modifications with 3M coding software, build an audit trail, return the record to the coder for review, and resubmit to billing
- Reveals areas in the organization where clinical documentation issues exist that could pose potential compliance risks
- Performs real-time data analysis while the coder is still working on and familiar with the record—with immediate feedback, the coder can make corrections before the record moves on to billing
- Reports on real-time data so that administrators can stay informed about compliance issues in the hospital as often as needed
- Benefits coding teams by identifying areas where additional coding education may be needed
- Assists the documentation improvement staff by identifying where they need to follow up with physicians for additional information before the patient leaves the hospital

The 3M advantage

The Hospital A results presented here are only a portion of the information that 3M consultants actually delivered to this client. The before and after reports provide both the drill-down detail needed for specific targeted action and the “big picture” performance snapshot that can help hospital leaders “take the compliance temperature” of their organization.

But coding compliance is an ever-changing landscape: Today hospitals are dealing with RACs and Medicare Audit Contractors (MACs), but tomorrow new and different audits and compliance challenges will inevitably arise. While before and after reports are helpful, 3M Audit Expert operates continuously to help hospitals work with real-time data analysis and stay on top of issues and regulatory changes.

If you are a current **3M Coding and Reimbursement System** client, you can add on the **3M Audit Expert** so that 100 percent of your inpatient records are reviewed pre-bill all of the time. With a consistent and thorough approach to coding compliance in continuous operation, you can always see what your data says about your compliance risk and where your organization might consider improvements.

A tool for coders

3M Audit Expert can be used in an interactive mode to provide edits and guide the coder through a type of "real-time audit" during the actual coding session.

If your organization is concerned with coder productivity, the software can instead operate in the background and present edits at the end of the coding session. The 3M Code Audit Chapters allow for retrospective auditing with a live connection to the 3M Coding and Reimbursement System to make corrections and adjustments.

Many 3M clients use 3M Audit Expert to train new and contract coders. A hospital can add its own user-defined compliance edits to the software to quickly familiarize coders with hospital-specific coding standards.

A tool for hospital directors and administration

With 3M Audit Expert, you have access to more than 200 standard reports, including reports that gather data for trending your organization against **PEPPER** (Program for Evaluating Payment Patterns Electronic Report) and **MEDPAR** (Medicare Provider Analysis and Review) national norms. 3M Audit Expert also lets you create customized edits and reports specific to your needs.

Another advantage to 3M Audit Expert's reporting is that it is not just retrospective—you may run reports on real-time data and perform "live" audits. If you are a CFO who needs to know what this month's coding data shows about one-day stays in your hospital, 3M Audit Expert can give you that information. If you are an HIM director concerned with coder productivity or outstanding compliance edits for a particular coder, 3M Audit Expert can report on these issues, too.

Since 3M is a certified vendor with the American Hospital Association (AHA), 3M Audit Expert clients can also submit a **RACTrac Survey to AHA** and receive the AHA RACTrac report. While 3M Audit Expert contains RAC chapters and a RAC Management Tool, the system can also help manage other government and private payers and auditors with its External Review Chapters and flexible, user-defined edits and report writer library.

Finally, 3M Audit Expert helps you manage compliance edits and prepare for potential audits by documenting actions and reasons in the **Audit Trail**. You can clearly see what edit was triggered and how the coder responded, and all of this information is added to the medical record, but doesn't overwrite the data. As a result, your coding practices are documented and defensible, and you have the kind of written proof that is helpful in a defensive position when dealing with denials.

Call today

For more information on how 3M solutions can assist your organization, contact your 3M sales representative, call us toll-free at **800-367-2447**, or visit us online at **www.3m.com/his**.

Health Information Systems
575 West Murray Boulevard
Salt Lake City, UT 84123 U.S.A.
800 367 2447

www.3m.com/his

Published 09/17
70-2009-9207-4