

# ST. LOUIS Medical News

Your Primary Source for Professional Healthcare News

May 2012 >> \$5



## thePracticeSpecialist

BY RON PRESENT

### Recovery Mission

*How data analysis can identify and help recover lost money*

Regardless of the Supreme Court ruling on the Patient Protection and Affordable Care Act, in this current economic and regulatory climate, consumers are looking for the greatest value (high outcomes and lower costs) when it comes to healthcare purchases. In an increasingly competitive market, providers also must be concerned about cost in the delivery of services. The bad news is that many providers may be throwing away money and so increasing their cost and not even know it.

Duplicate payments, unused vendor credits and revenue leakage are just a few of the areas where providers lose money. The good news is that lost revenue and excess costs can ultimately be recovered if you know how to do it. The amount recovered will vary, depending on the internal controls in place. However, if you do not identify and correct areas of vulnerability, you perpetuate the opportunities for financial loss. On the other hand, if you adequately identify risks, put in appropriate financial controls and implement a continuous monitoring program, you will see overall financial improvements.

#### What is the likelihood that a provider has recoverable costs?

The probability that a company has recoverable money depends on the control environment and systems in place. Operations that have gone through layoffs and restructuring during this economic downturn have a higher probability that controls are not as tight as they used to be, or were not tight to begin with, making them more likely to have recoverable costs.

The control environment is the decid-

ing factor, not industry or operating size. A provider with a tight control environment and fully integrated systems, or a single system, is less likely to identify a high dollar amount of recoverable costs.

#### What are some typical areas where providers see recoverable costs?

It depends on individual risk factors, but some typical areas are duplicate payments, missed vendor discounts, unused vendor credits, invalid charges on inventory and projects, duplicate employee reimbursements, inappropriate corporate credit card transactions and invalid employee benefits.

You should focus on the areas where there is the greatest chance of recovery. First, do an assessment of all the areas where you think there may be recoverable costs. The identified areas most likely will have disparate systems or the weakest controls. You should also follow-up on your "gut" instinct. If you are concerned there is a weakness, even if you have been reassured otherwise, pursue that area until you are convinced of its validity.

#### How does revenue leakage factor in?

Usually, you find some large-dollar recoverable costs by completing an assessment, but preventing future revenue losses is equally important. Revenue leakage, or (i.e. the decrease in legitimately earned revenues due to the lack of billing and/or the lack of billing at the correct rates), sometimes gets missed because leakage is often not evaluated in the same way as cost. With increasing electronic communications and increases in e-com-

merce, revenue leakage is anticipated to be a growing problem for providers.

You may find a few duplicate payments that were issued, but if you can find a revenue stream that did not have strong controls around it, your dollar recovery amount is going to be higher, and you'll have a much greater long-term benefit.

Often, when you're looking for revenue leakage, you're only looking at the main revenue stream such as patient visits, not all streams such as injections. Frequently, the main revenue stream is reasonably controlled, but there is leakage in one of the smaller streams.

For example, examine your charge master and ensure all of your charges are captured, but more importantly, identified at the correct rate. If not, you could be losing revenue even if appropriately billed.

#### How do you identify and quantify errors, and then prevent them from happening in the future?

You need to look at 100 percent of the data. Sampling is not a reasonable approach to cost recovery because you will not be able to find all of your dollars. One tool used for fraud detection and prevention is data analysis software, such as ACL, that can integrate disparate electronic data capture systems. This allows you to pull all of the data together and identify the errors within it. Using that information, you can then quantify dollar amounts and pinpoint how much you should receive back from the vendor, payor and/or patient.

The next step is to identify the root of the problem. Improving controls in your system can prevent future errors, but numer-

ous providers do not choose to go that route because it can be expensive and time-consuming. Another possibility is to implement a continuous monitoring system, which is usually less costly and time-consuming.

Data analysis software can be programmed as a continuous monitoring system to perform highly specialized tests as required based on the cost recovery items identified for your operations.

#### Can I do this on my own?

Every provider could theoretically complete the analysis and implement appropriate controls as needed. However, if you knew the existing controls were weak, you would not have implemented them to start with. Identifying an expert partner that can not only help you identify and recover any historic costs, but also help you clamp down to ensure more money is not lost in the future. You need a provider who has business knowledge, healthcare expertise and data analysis acumen.

It is essential to understand the source of the problem to prevent future losses; otherwise, you will wind up doing cost recovery every couple of years. By partnering with a trusted provider, you can implement lasting change. Such a partner will have a continued presence working with you, helping you to determine what system controls need to be changed and what continuous monitoring systems you can implement.

Ron Present, CALA, CNHA, is the healthcare services practice leader for Brown Smith Wallace LLC, one of the Midwest region's most prominent locally owned full-service public accounting firms. INSIDE Public Accounting has recognized Brown Smith Wallace nationally as a Top 5 Fastest Growing Firm in the \$20-30 million net revenue category. Email him at [RPresent@bswllc.com](mailto:RPresent@bswllc.com).