The Methodist Hospital System
Case Study

BACKGROUND
The Methodist Hospital System is a non-profit health care organization based in Houston, Texas. It has extended the world-renowned clinical and service excellence of its founding entity, The Methodist Hospital, through a network of community based hospitals. Affiliated with the Texas Annual Conference of the United Methodist Church, The Methodist Hospital System works closely with local church leaders to bring compassion and spirituality to all of its endeavors and to help meet the health needs of the community it serves.

The Methodist Hospital has earned worldwide recognition since it opened its doors in 1919. As a private, adult teaching hospital affiliated with Weill Medical College of Cornell University, it offers the latest innovations in medical, surgical and diagnostic techniques. Methodist also maintains various joint programs with Baylor College of Medicine. The hospital, one of only a handful in Texas recognized by The Best Hospitals in America, is among the country's largest non-profit health care providers. Its medical staff includes dozens of physicians listed in The Best Doctors in America. The Methodist Hospital is nationally ranked in 15 specialties by U.S. News and World Reports Magazine and achieved the prestigious Honor Roll status in 2009. Additionally, FORTUNE magazine has placed The Methodist Hospital System on its annual list of “100 Best Companies to Work For” since 2006. In 2009, Methodist ranked No. 8 on the list, making it the highest ranked health care organization in the country for the second year.

INCREASING CHALLENGES
As a participating healthcare provider in Medicare and Medicaid programs, Methodist is subject to a variety of medical claims audits as prescribed by the Centers for Medicare and

“During these times when health care providers face unprecedented change, the Claims Auditor from Compliance 360 has helped us to gain more control of our process and face these mounting challenges successfully.”

Patrick Mason,
Director of Transaction Management

Copyright © 2009 Compliance 360, Inc. All rights reserved.
www.compliance360.com
Medicaid Services (CMS) and the Office of the Inspector General (OIG) of the United States Department of Health and Human Services (HHS). At Methodist, these medical claims audits have most frequently been in the form of Medicare Administrative Contractor (MAC), Payment Error Rate Measurement (PERM) and Medicare Comprehensive Error Rate Testing (CERT) audits. CMS has structured these and other audits to be conducted routinely with all Medicare and Medicaid providers, to help ensure the integrity of the programs.

These medical claims audits were managed manually within the Transaction Management Department, under the Methodist’s umbrella of Corporate Revenue Cycle.

The advent of the new Recovery Audit Contractor (RAC) program by CMS added a new, potentially much more expansive audit to the variety of claims audits to which Methodist was already subject. The RAC program is unique in that the RAC auditors are paid a percentage as a commission as a percentage of the Medicare payment errors they identify. This applies to the recoupment of overpayments to healthcare providers as well as reimbursement for underpayments. As a result of the commission payment structure, the RAC auditors are viewed as being more aggressive with their audits. The process outlined for RAC audits is also very complex with up to five levels of appeal and strict deadlines for initial record requests as well as each level of appeal. If a deadline is missed by as little as one day, the RAC auditor can automatically recoup the payments in question. Due to the aggressive nature and inherent complexities of the impending RAC audits, Methodist along with all Medicare providers would soon be faced with new challenges resulting from the need to track, manage and meet the new appeal deadlines.

BUILDING A CASE FOR THE RIGHT SOLUTION
Along with others at Methodist, Patrick Mason in the Transaction Management Department, had begun building awareness of the RAC program and the potential impact of Medicare claims denials. The team had made great progress in preparing for the RAC audit rollout but they lacked the software solution needed to manage and track claims audits and denials.

The first step toward improved management of Medicare RAC audits at Methodist was the creation of a new position known as the RAC Coordinator. Cassandra Murphy, the Transaction Management Department Manager accepted the assignment. Her primary responsibilities included managing the project to identify a software system, managing the internal defense audits that would be facilitated by the new system, and coordination with other departments that would need to be involved in managing claims audits.

According to Mason, Director of Transaction Management at Methodist, “We believed that we could mitigate the risk of recouped revenues, if we could successfully rebut and appeal claims denied by the RAC auditors. Our focus shifted to

“We believed that we could mitigate the risk of recouped revenues, if we could successfully rebut and appeal claims denied by the RAC auditors. Our focus shifted to finding the right software solution to help us manage the process and take as much control as possible.”

Patrick Mason,
Director of Transaction Management
finding the right software solution to help us manage the process and take as much control as possible.”

Methodist began its search for a RAC software system in mid 2008. Mason’s team examined a wide variety of products, some from Methodist’s current software vendors, and others from new vendors. According to Murphy, “The products we saw varied widely in capabilities and completeness. Most vendors showed us tools for tracking RAC audits, but we knew that we needed to do more than just track the audits; we wanted to gain as much control as possible over the process. Based on our prior experience with MAC, PERM and CERT audits, we also wanted to find one solution that would help us manage all medical claims audits, in addition to RAC audits. The thought of using separate solutions for each of these audits was completely impractical”. After an extensive search, Methodist selected the Claims Auditor™ from Compliance 360.

**THE CLAIMS AUDITOR SOLUTION**

With the RAC audits expected to begin during 2009, a successful implementation of the Claims Auditor required that the solution be implemented in only four weeks. A rapid implementation of the Claims Auditor was facilitated by the Software as a Service (SaaS) design which means that the application is hosted by Compliance 360 and accessed by Methodist using the Internet. No additional computer equipment or software installations were necessary for Methodist.

The implementation of the Claims Auditor was kicked off on February 4, 2009 and with the assistance of the Compliance 360 Professional Services team, Methodist went live on the system, as scheduled on March 4. According to Murphy, “The Professional Services consultants from Compliance 360 helped us through each step of the process. The system is intuitive and doesn’t require IT or programming skills to set up, but with so much flexibility and so many features, the expertise and dedication of the Compliance 360 consultants helped us achieve a successful, on-time implementation.”

*With the automated workflow, it is virtually impossible to lose track of audits, individual claims and appeals. We can minimize the automatic recoupment of funds by ensuring that deadlines are not missed. If a deadline is missed, we know exactly what caused the delay and why.*

_Cassandra Murphy,
Transaction Management Department Manager_

The majority of the implementation effort involved the fine tuning of the workflows for Methodist. The Compliance 360 solution includes a highly customizable workflow system for defining users and their roles, and automatically including them into processes as needed. In essence, the workflow is used to create accountability throughout the organization. To further streamline the initial set-up, the Compliance 360 Claims Auditor includes pre-defined workflow templates for RAC record requests and appeals. These initial record requests, denials, rebuttals and all five levels of appeal with all deadlines, are built into the template. Working with the Compliance 360 Professional Service consultants and the relevant departments at Methodist including, Patient Accounting, HIM and medical claims coders, as well as outside counsel, Murphy managed the project to set up the claims audit workflow for Methodist.
Because the RAC audits had not yet begun in Texas, Methodist immediately began using the Claims Auditor to manage their other claims audits including MAC, PERM and CERT audits. The workflow is initiated as audits and individual claims are entered into the system. Automated notices are sent to the appropriate people to gather information for record requests and provide recommendations and supporting documentation for appealing claims denials. Each step has specific deadlines specified in the workflow and individuals receive automated reminders if they risk missing a deadline. According to Murphy, “With the automated workflow, it is virtually impossible to lose track of audits, individual claims and appeals. We can minimize the automatic recoupment of funds by ensuring that deadlines are not missed. If a deadline is missed, we know exactly what caused the delay and why.”

Adds Mason, “The Compliance 360 Claims Auditor has allowed us to be more proactive in our response to denials and our decisions to rebut and appeal. At any time, we can see the detailed status of each claim and audit, as well as the total financial exposure and the significant savings potential of our appeals. Rather than allowing the auditors to control the process and dictate the terms and consequences of denials, we are taking as much control as possible of the claims audit process and deciding for ourselves, if and when revenues should be recouped.”

LOOKING AHEAD
Based on the processes and visibility established so far, while managing MAC, PERM and CERT audits with the Compliance 360 Claims Auditor, the Methodist Transaction Management team believes they are well equipped for the RAC audits to begin in Texas.

Methodist is also expanding their use of the Claims Auditor to include audits conducted by commercial payors. The Compliance 360 Claims Auditor will also provide the tools, consistent processes and visibility needed to take more control of the commercial payor audits. Mason concluded, “During these times when health care providers face unprecedented change, the Claims Auditor from Compliance 360 has helped us to gain more control of our process and face these challenges successfully.”

About Compliance 360 for Healthcare
Compliance 360 is the leading provider of enterprise governance, risk management, compliance and audit management solutions for healthcare providers. With these solutions, healthcare providers reduce risks, improve efficiencies and protect their brands using a single platform to address their comprehensive GRC requirements. The Compliance 360 solution for healthcare addresses the need for policy management, centralized regulatory management including HITECH, HIPAA, EMTALA, STARK and others, Joint Commission Accreditation, OIG corporate integrity agreements (CIA), False Claims Act (FCA) Compliance, adverse-event management, contract management, surveys, remediation projects, claims audits and denials, Medicare RAC audits, Medicaid MIC Audits, self assessments, and enterprise risk management. To learn more about the Compliance 360 solution for healthcare, visit www.compliance360.com/healthcare.