

Medical Practice Audits

Assess operations and compliance

By Tynan Kugler, MBA/MPH, CVA, and Katie Ray, MSHA, CPHT

Medical practices have become a big part of the patient care services for healthcare provider organizations through mergers and acquisitions. Incentives for mergers and acquisitions include capturing primary care access points, implementing value-based care and ensuring the loyalty of physicians. For practices that are newly acquired, geographically distanced from the main hospital campus or poorly integrated into your system, you need to ensure that they operate efficiently, effectively and compliantly.

Internal auditors are operating in a complex industry environment caused by changes to care delivery, increased financial performance constraints and new regulatory guidance related to Covid-19. With so many risk areas and competing priorities, how should you narrow your focus and determine your audit approach for medical practices?

Certain approaches and a framework will help you identify key players, define internal audit scope, engage in fact-finding conversations with the appropriate parties, and if necessary, participate in onsite audit activities that provide powerful insights.

Define audit scope and identify key players

Medical practice audits can take many forms (remote audits/desk reviews, onsite visits or hybrid approaches) and cover a variety of activities based on perceived or actual risk areas.

Begin to develop your internal audit plan by understanding the structure of your medical practices. Is the medical practice operations team responsible for each operational function, or are responsibilities consolidated or shared among different hospital or physician practice management (PPM) departments?

If consolidated or shared, what is the nature of the relationship between medical practice staff and shared services personnel? Should the audit be inclusive of all areas that touch the medical practices, including those shared service areas, or should the audit be limited to a review of

only medical practices' operations and responsibilities? These questions are critical when seeking to define the audit scope, identify the responsible parties and determine the appropriate methods for auditing key areas.

Your audit scope may be as detailed or limited as you see fit, based on your organization's specific concerns, available audit resources and primary focus areas. However, if your audit scope will include a comprehensive assessment of all functional areas that touch the medical practice, you may need to interact or collaborate with several hospital or PPM departments.

Shared services personnel likely have a detailed understanding of typical medical practice operations, the level of support, oversight and enforcement their departments provide, and the involvement of the medical practice staff in operational activities. When taking a team-based audit approach, you can leverage the experience and knowledge of each key shared services player to best scope and conduct the audits.

While organizations vary in structure, a few key departments should be included in exploratory conversations. When

Medical practice audits can take many forms—remote audits (desk reviews), onsite visits or hybrid approaches.

interacting with individuals from each department, you should look for specific items. Exhibit 1 includes areas and topics to explore and understand in the typical medical practice delivery environment, including workflow and regulatory changes resulting from the Covid-19 pandemic.

Use these conversations to clearly delineate tasks that are the responsibility of the department versus the medical practices, and what policies and procedures apply. With detailed advance knowledge, you can further refine your inquiries and knowledge when meeting with medical practice staff.

Exhibit 1 – Exploratory topics

Human resources

1. New hire and physician onboarding and training, inclusive of Health Insurance Portability and Accountability Act (HIPAA) and Occupational and Safety Health Administration (OSHA) training within the specified time frames (i.e., prior to starting work for HIPAA, and within 10 days of hire for OSHA) for onboarding and training
2. Annual HIPAA and OSHA training for all existing employees
3. Monthly exclusion checks of all providers and staff on the Office of Inspector General database
4. Documented tuberculosis testing, hepatitis B and flu vaccination administration or declination for employees, if appropriate, based on practice risk
5. Policies and procedures (P&P) related to employee behavior and expectations for HIPAA privacy and security, OSHA and other regulatory compliance areas
6. Covid-19 protocols for testing employees and reporting exposure, as well as P&P related to absenteeism
7. Up-to-date licensure and credentialing information for all providers and staff, including documentation of continuing medical education (CME) credits

Environmental services, environmental health and/or facility safety

1. Hazardous waste storage and disposal
2. Soiled linen storage, processing and disposal
3. Maintenance of shred bins and protected health information (PHI) disposal
4. Appropriate provision, use and disposal of personal protective equipment (PPE), particularly for the treatment of patients with Covid-19 and potential workplace exposure
5. Up-to-date fire extinguishers, posted evacuation routes, and documentation of drills and attendance
6. Physical security of building and contents, including computer rooms, with access restricted to appropriate personnel

Laboratory services

1. Up-to-date Clinical Laboratory Improvement Amendments Certificate of Waiver or other appropriate certificate depending on the type of testing
2. Secure collection, labeling, processing and transportation of specimens

Pharmacy

1. Prescribing protocols, particularly related to controlled substances
2. Prescription drug monitoring program participation and compliance

Exhibit 1 – Exploratory topics (Continued)

3. Drug inventory management and counts, including physical security of controlled substances and prescription pads
4. Compounding pharmacy standards compliance, if applicable
5. Documented receipt, storage and appropriate dispensing of sample medications

Billing and collections

1. Routine collection of patients' copays, deductibles and past-due balance amounts
2. Fee schedule management and updates
3. Charge capture and claims filing processes, including denials management
4. Coding audits and subsequent coding education
5. Proper incident-to and/or split-shared billing practices if advanced practice providers are used
6. Proper patient discounts including write-offs of self-pay balances and financial hardship balances
7. Provision of professional courtesy write offs
8. Management of patient and payer overpayments and appropriate refund issuance

Information security and privacy

1. HIPAA incident documentation
2. Annual HIPAA security risk assessment with corresponding action plan
3. Routine email and system password changes
4. Mechanism and policies for encrypting email
5. Secure transmission and storage of medical records
6. Physical security of information technology with access restricted to appropriate personnel
7. Access logs and monitoring for unauthorized use and/or disclosure of PHI
8. Executed business associate agreements with vendors where appropriate

Revenue integrity and expense management

1. Financial controls, including practice-level, end-of-day batch reconciliation and deposits
2. Invoice reconciliation and approval processes for accounts payable
3. Expense tracking and monitoring, particularly for many Covid-19-related loan sources and relief funds that have specific compliance terms and conditions

Quality

1. Patient experience surveys and results
2. Merit-Based Incentive Payment System participation structure, method for reporting (i.e., claims, registry, etc.) and performance
3. Adverse clinical event detection, processing and reporting

Certain items may be the responsibility of different departments than those in Exhibit 1. For example, the compliance department may play a more active role in monitoring items, particularly those pertaining to human resources, environmental services and information security and privacy.

If your organization uses a third-party billing company or vendor to provide some or all billing and collections services, you may need to connect directly with a third-party

representative to understand billing processes and medical practice involvement. Depending on the arrangement and structure of the relationship, a discussion with or review of the billing company may be necessary to better understand billing and collections processes.

Depending on the results of your initial conversations and key focus areas for your organization, you may elect to include additional individuals or departments in your review. The departments and items noted in Exhibit 1 are intended

to serve as a starting point, but you may choose to reduce or expand scope based on a number of factors (e.g., limited audit staff resources, geographic or time constraints, perceived or actual high priority risk areas). Start with the high priority risk areas and supplement with additional review areas when time and resources permit.

Keep in mind that each hospital or PPM department may have its own self-audit and monitoring processes for medical practice compliance with organizational P&Ps and industry regulations. To avoid duplication of effort, you should discuss and/or review the results of any self-audit and monitoring activities previously performed by these departments. You can adjust your scope for areas sufficiently covered

by your departmental audits, as well as highlight those areas that warrant additional review or inclusion in your audit scope.

In addition to discussions with hospital or PPM departmental personnel, you must include the medical practice operations team in the review process. While general centralized departmental oversight and ongoing monitoring is important, you need to understand what the medical practices are doing onsite. For example, your organization may provide standardized P&Ps for medical practice use, but has practice compliance been validated with them? For instance, are practice staff disposing of hazardous waste appropriately? Is PHI transmitted and/or disposed of securely?

Exhibit 2 – Sample site visit guide

1. OSHA and overall practice safety
 - Does the practice have a copy of OSHA policies and procedures onsite (physical or electronic)? If so, do they include site-specific information (i.e., location of first-aid supplies, designated contacts, etc.)?
 - In the event of an OSHA incident, is appropriate documentation and proof of resolution/remediation maintained?
 - Do practice staff have adequate access to appropriate PPE for their job duties?
2. HIPAA privacy and security
 - Does the practice have a copy of HIPAA policies and procedures onsite (physical or electronic)? If so, when were they last updated?
 - In the event of a HIPAA incident, is appropriate documentation and proof of resolution/remediation maintained?
 - Is any PHI visible on countertops, workspaces or other surfaces?
3. Laboratory services
 - Is blood drawn, or are other specimens collected onsite? If so, does the practice have the appropriate up-to-date Clinical Laboratory Improvement Amendments Certificate of Waiver, or necessary certificates for other types of testing?
 - Are appropriate control tests run on lab equipment?
4. Staffing and personnel management
 - Does the practice maintain copies of staff and provider licensure and credentials?
 - Do providers and staff receive HIPAA and OSHA training upon hire (and within the required time frames) and annually thereafter? If so, is completion of training monitored and documented?
5. Physical space and workflow
 - Is the space clean and well maintained?
 - Is signage consistent throughout the interior and exterior, and does the signage reflect your system's brand?
6. Financial controls
 - Where is cash maintained and when is cash collected?
 - Do front desk staff have locked drawers or bags for storage of collected cash and checks?
 - Where are keys for these drawers or bags stored during clinic hours?

Identify opportunities to strengthen internal controls, standardize processes and share best practices.

Conduct medical practice site visits

Onsite visits may not be feasible for all practice locations, particularly during the Covid-19 pandemic. However, you should consider deploying resources—departmental personnel familiar with practice operations, internal auditors, or a combination of both—to conduct in-person review for a sample of practice locations. Onsite visits can be invaluable in obtaining information and highlighting potential risk areas not otherwise captured in a remote or desk review.

Collaborating with hospital shared service departments and PPM personnel is an important first step in understanding medical practice operations. Recognize the delineation of responsibilities between parties and whether staff in functional areas monitor activities at the medical practices. Understand how the broader functional areas influence day-to-day operations and activities.

You may find that a high-level overview and understanding of organizational roles, responsibilities, and checks and balances is sufficient for determining your audit scope. However, you may want to go a step further by reviewing and/or confirming some of the items onsite at the medical practice.

Develop a site visit guide

If you determine the need or are asked to conduct a medical practice site visit, you may wonder where to start. With so many facets of medical practice operations, you may feel overwhelmed when stepping into a practice for the first time.

Begin by summarizing and analyzing your fact-finding conversations with the departments that interface with, provide shared services to, or are responsible for the medical practices. You should see patterns of comments,

concerns and advice that will help you determine your focus.

Develop a medical practice site visit guide, including key areas for consideration and representative questions to ask during your review. Exhibit 2 provides a sample site visit guide. Customize your visit guide based on the specific facts and circumstances for your organization’s shared services and medical practice sites.

Practice site visits—a sample or all sites—should be a way to identify control gaps, variations in processes and emerging risks. Site visits can also confirm that medical practices are operating as expected and in compliance with your organization’s P&Ps. Without direct observation through boots on the ground, you risk missing deficiencies and opportunities for practice management to strengthen internal controls, standardize processes and identify best practices to share.

While you might not be able to conduct regular site visits for each medical practice, you may consider requiring medical practice staff to complete and provide a checklist attesting to their compliance and/or completion of certain activities. You may also consider supplementing the checklists with periodic mini-audits of selected high-risk topics.

Conclusion

You can improve operational, financial and compliance performance by implementing a robust and comprehensive audit program for your organization’s medical practices. You can add value by identifying opportunities to increase standardization and share best practices across locations. Continuously improve your approach as you audit more medical practices. **NP**

The authors wish to acknowledge the contributions of Bekki Worth, MSHA, MBA, in preparing our article.



Tynan Kugler, MBA/MPH, CVA, is a Consulting Principal at PYA, P.C. She specializes in fair market and business valuations for physician and hospital transactions. Tynan can be reached at TKugler@pyapc.com and (800) 270-9629.



Katie Ray, MSHA, CPHT, is a Manager at PYA, P.C. She specializes in serving physician practice clients on matters that include practice operations and due diligence activities. Katie can be reached at KRay@pyapc.com (800) 270-9629.