

## ORGANIZATION POLICY

POLICY TITLE: THIRD-PARTY BILLING AUDITS

POLICY NUMBER: 1234

### I. PURPOSE:

This policy outlines the process for third party audits to ensure efficiencies and accuracy of results.

### II. DEFINITIONS:

When used in this policy, these terms have the following meanings:

- A. **Protected Health Information (PHI):** data, including demographic information, collected from an individual and created or received by the Hospital that: (1) relates to the past, present, or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual, and (2) identifies or can be used to identify the individual.
- B. **Minimum Necessary:** the least amount of PHI necessary to accomplish the intended purpose of the use or disclosure.
- C. **Disclosure:** The release, transfer, provision of access to, or divulging in any other manner PHI outside of the Hospital, including disclosures to or by business associates and oral disclosures (such as by telephone).
- D. **Legal Representative:** a person who under applicable law has the authority to act on behalf of an individual. A legal representative includes a healthcare surrogate, guardian, parent, or other person acting in place of a patient (in loco parentis) for an unemancipated minor, and executor or administrator of an estate.

### III. POLICY:

It is the policy of Onslow Memorial Hospital that:

- A. Employers and third party payors have a responsibility to perform third party audits of patient bills as a function of cost containment efforts. Verification of charges by payors is a legitimate business practice and, therefore, the Hospital is receptive to reasonable audit requests.
- B. The patient is ultimately responsible for payment of the hospital bill. In cases where the payor fails to complete the audit or resolve disputes in a timely fashion, the Hospital will turn directly to the patient for payment of all substantiated charges and will pursue its normal self-pay collection efforts. Contractual relationships exist between the Hospital and the patient, and between the patient (subscriber) and the insurance company. The “assignment of benefits” option is a convenience for all patients, but in no way does it eliminate the patient’s primary obligation for the

debt incurred for services rendered. In billing the patient for such amounts, the hospital will instruct the patient to contact the insurance company to resolve questions regarding benefits.

- C. Third party billing audits are limited to verifying that the charges on the detail bill were for services rendered to the patient and that the charges are accurate. The audit coordinator does not discuss with any third party auditor the “reasonableness” of any charge. The financial data or reports regarding cost or pricing policies of the hospital shall not be disclosed to any party outside the hospital unless a contractual agreement requiring such disclosure exists between the Hospital and the party.
- D. All hospital bill audits will be conducted on site, with coordination through HIM. No off-site “desk” audits will be permitted.
- E. Any question of medical necessity for the provided services is addressed separately from the billing audit and will be referred to the Case Management Department for discussion or the scheduling of a meeting.
- F. The purpose of the medical record is to document clinical data on diagnosis, treatment, and outcome. It is not to serve as a duplicate patient bill or to support each individual charge on a patient’s hospital bill. Ancillary department daily records and other sources of information also are evidence that services were provided to the patient. For example, hospital protocols that tie certain supply items to specific services are sufficient evidence to bill the supplies when these services are billed.

#### IV. **PROCEDURE:**

- A. Prior to the audit being scheduled, the Hospital shall have received a minimum of 95% of the payor’s usual contractual payment obligation for the accounts involved in the audit.
- B. The third party auditor shall schedule all audits with HIM. When an auditor fails to keep a scheduled appointment, the payor will be notified.
- C. The third party auditor shall pay an audit fee of \$500 per day, in one-half (1/2) day increments, with a minimum fee \$250 for one-half of a day. The audit fee shall be payable prior to the commencement of the audit based upon the estimated length of time necessary to complete the audit of the requested accounts.
  - 1. Worker’s Compensation and Department of Corrections audits are exempt from the fee schedule.
  - 2. If the fee is not paid prior to the audit, the audit will be cancelled and rescheduled at the convenience of the audit coordinator. Audits will not be rescheduled more than twice because of failure to pay fees.
- D. Cash, check or money order will be accepted
- E. Cancellation of scheduled audits:
  - 1. Rescheduling may occur for a variety of circumstances, however; professional and courteous actions are expected of both parties.

- a. A scheduled audit should be cancelled or rescheduled as soon as possible but at least thirty (30) calendar days in advance of the scheduled appointment.
  - b. Any rescheduling occurs within ten (10) business days of a cancellation with a limit of two (2) reschedules for any reason.
  - c. Any cancellation less than thirty (30) calendar days of a scheduled appointment without rescheduling is invoiced for a cancellation fee to the respective third party auditor at the above fee schedule.
  - d. The Hospital may submit the audit findings of the audit coordinator to the insurance carrier as final audit results.
2. The audit cancellation fee is payable in the amount equal to the fee schedule for the billed charges for any scheduled audit that has been completed by the audit coordinator in anticipation of the scheduled audit date and not rescheduled.
  3. The cancellation fee is payable by the third party auditor prior to conducting any scheduled or future audits.
- F. No show without notification – The audit cancellation fee is applicable and the Hospital may submit the audit findings of the audit coordinator to the insurance carrier as final audit results when a third party auditor does not honor a scheduled appointment and/or does not contact the audit coordinator within forty-eight (48) hours prior to the scheduled appointment to reschedule.
- G. The third party auditor will be required to read and sign the “Statement of Confidentiality for Non-Hospital Employees”.
- H. Disclosure of PHI shall be limited to the minimum amount necessary.
- I. An audit coordinator provides the third party auditors with access to the medical record and audit worksheets on the day of the audit. Any request for copies of the medical record shall be made to Health Information Management.
- J. During the course of the audit, the third party auditor will be expected to address and report to the insurance carrier undercharges (including unbilled), as well as overcharges on the hospital bill.
- K. The third party auditor shall refer any questions regarding charging or documentation directly to the audit coordinator assigned to the audit. If necessary, the appropriate department individuals will be contacted by the audit coordinator to answer any questions.
- L. An exit interview must be held between the third party auditor and the assigned audit coordinator in order for both parties to review the preliminary audit findings. Documentation will be shared at this time in order to resolve the audit and reach an agreement to the specific over/undercharges on the patient’s bill.
- M. An audit report shall be provided at the time of the exit interview. The report is signed by the third party auditor to validate agreement with charges.

- N. Should any discrepancies remain unresolved at completion of the exit interview; a notation of the facts will be made on the report. The Hospital directly provides the insurance carrier with the facts and requests resolution of the disputed charges to mutual satisfaction.
- O. Amended results of completed audits must be issued by the third party auditing individual/firm if original findings are found to be in error. Amendments must be made in writing to the insurance carrier and a copy sent to the assigned audit coordinator.
- P. Distribution of the final audit report is limited to the Hospital and the insurance carrier requesting the audit. Information contained in the audit report is confidential, and its use is to be limited to the determination of any third party liability on the accounts that are audited. Distribution of any reports beyond these two parties must be agreed to in writing by the Hospital prior to such distribution.
- Q. Failure of any third party or their representative to comply with these policies and the related procedures governing third party audits of hospital bills will preclude the third party's privilege to perform such audits at the Hospital.

EFFECTIVE DATE: November 2015

REVIEW DATE: November 2018

REVISION DATE: \_\_\_\_\_

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