



Avoiding Post-Acquisition Compliance Surprises

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Presented by:

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Introductions



Valerie Rock
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Valerie Rock Valerie serves as a Principal on PYA's Revenue and Compliance Advisory Services team, specializing in physician coding, reimbursement, and regulatory compliance. With nearly 20 years of experience in healthcare consulting, Valerie has assisted numerous clients, including hospitals, private and specialty practices, attorneys, and private equity firms. She specializes in hospital-employed physician compliance and audit program development, physician and laboratory compliance program advisory support, statistically valid sample-based refunds, physician and non-physician practitioner compliance, Medicare and Medicaid regulatory compliance and reimbursement methodologies, practice establishments, and practice operational consultations. Additionally, she has provided healthcare litigation support and has utilized her extensive regulatory compliance knowledge to advise lawyers' clients on Medicare, Medicaid, and private-payer audits and appeals.

She has presented numerous seminars on evaluation and management as well as specialty coding and compliance matters to national and local healthcare compliance and coding associations, including the Health Care Compliance Association, the American Academy of Professional Coders local chapters, Georgia Medical Managers Association, American College of Rheumatology, Georgia Neurological Society, Georgia Chapter American Academy of Pediatrics, and the physician outreach department of multiple Georgia hospitals.

Valerie received her Bachelor of Arts in Biology from the University of North Carolina at Greensboro, is Certified in Healthcare Compliance, and is a Certified Professional Coder.

Introductions



Kristen Davidson

MHA, CCEP-I, CHC, CPHQ, RHIA

Principal

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Kristen Davidson serves as a Principal on PYA's Revenue and Compliance Advisory Services team. She brings over 25 years of diverse experience including health system and physician practice operations, regulatory compliance, human resources, and revenue cycle improvement. Kristen assists health systems and physician practices with the development, design, and evaluation of their compliance programs. She also conducts pre-acquisition compliance and revenue cycle operations due diligence on behalf of buyers/investors, as well as sellers preparing to go to market. She is a published author and co-author, and routinely speaks on regulatory compliance at national meetings

Kristen received her Master of Health Administration from the University of Memphis and Bachelor of Science, with honors, from the University of Tennessee Health Science Center. Kristen is certified in Healthcare Compliance, a Certified Compliance and Ethics Professional – International, a Certified Professional in Healthcare Quality and a Registered Health Information Administrator.

Agenda

1. Common Issues
2. Lessons Learned
3. Diligence Limitations
4. Industry Best Practices

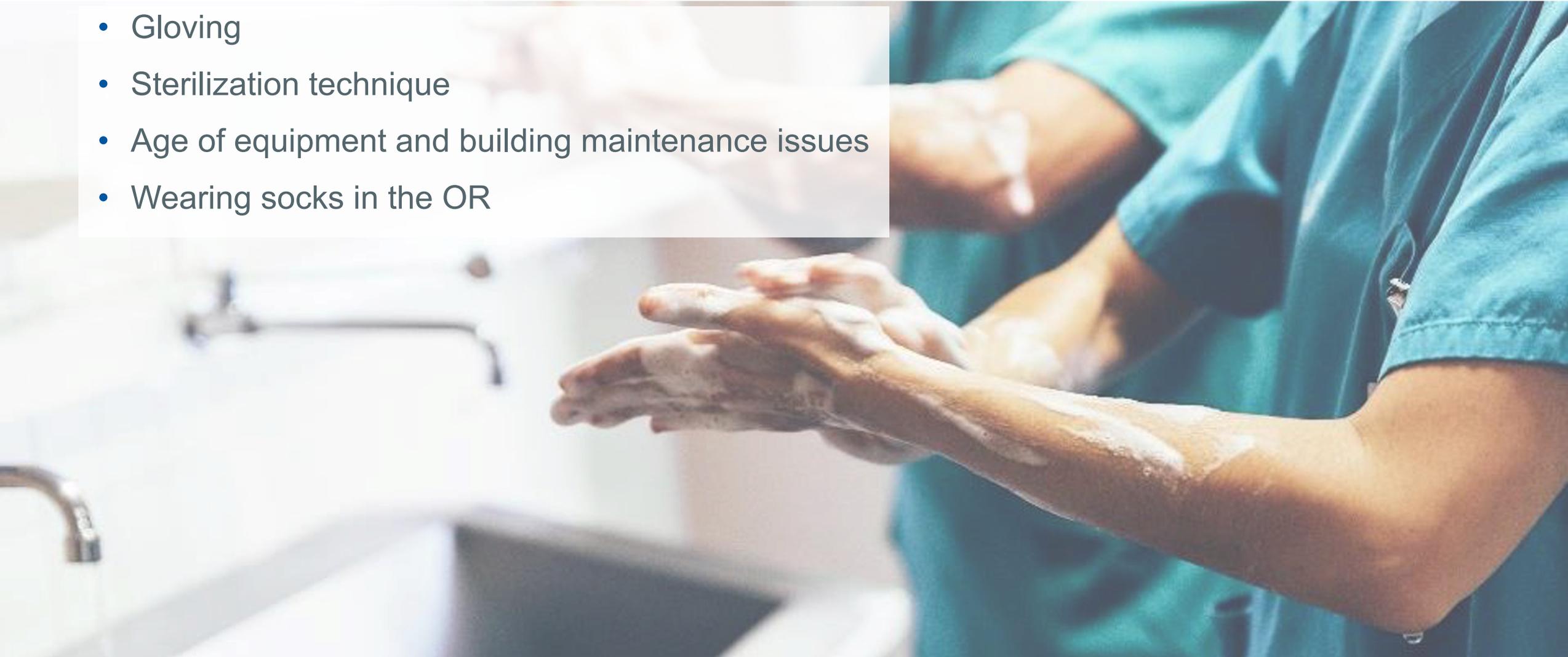
1. Common Issues

Common post-due diligence compliance issues

Clinical



- Gloving
- Sterilization technique
- Age of equipment and building maintenance issues
- Wearing socks in the OR



- Medical necessity
 - High frequency of services
 - Patient flow from clinic to ASC creates additional services
 - New technology or investigational use of equipment or materials
- Unlicensed providers and technicians
 - PTAs
 - Therapy aides
 - Medical assistants
 - Clinical or auxiliary staff
- Practicing out of scope



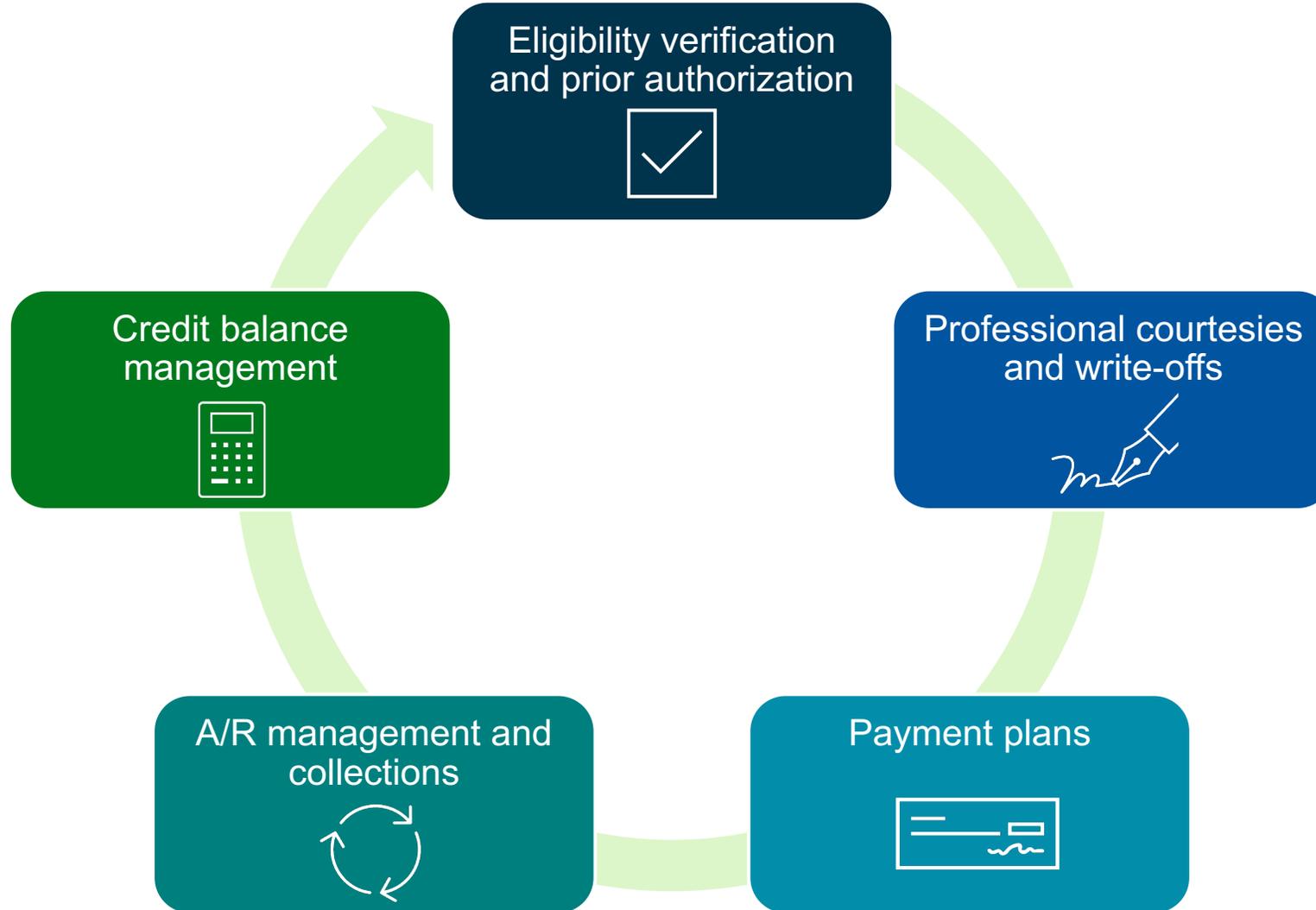
- Vendors
- Providers
- Real estate

Billing and Coding



- Overcoding
- Unbundling
- Unsigned orders/improper order entry
- Supervision
- Quality of documentation (*PT and infusion*)

Revenue Cycle



Real Estate Compliance Challenges



- Different real estate compliance policies and procedures between the combined systems
- Different property management and property accounting systems between the combined systems
- No centralized decision making as it relates to the real estate function
- Corporate organizational silos related to real estate
- No single source of truth
- Absence of supporting documentation for existing real estate lease arrangements with referral sources
- Inherited real estate compliance violations



Staffing



- Using the same staff and not training



Electronic Health Record (EHR) Implementation



- Not onboarding to EHR
- Remaining on paper records
- Using old processes or templates
- Improper set-up that results in billing errors
- Log-in credentials shared



Informal or No Compliance and/or HIPAA Program(s)



2. Lessons Learned

Post-acquisition surprise scenarios

Unlicensed providers



PT practice utilizes PTAs

- Unlicensed PTAs
- Unclear documentation re: PTA services



Payer refunds

- Created method to recognize/extract PTA services
- Calculated overpayments

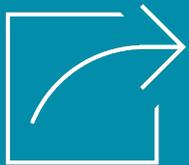
Providers not assimilated into documentation standards



Diligence uncovers provider overcoding issue, and coding education provided.



Over a year later, when a true-up on the bonus payment is being evaluated, another documentation review is performed specifically to review the issue above and beyond the routine reviews.



Continued use of an electronic template that led to poor documentation is identified.

- Documentation: difficult to determine why the provider saw the patient on that given day, focus of the visit, and actual services performed
- Primary issues: copy/paste and time-only use

Infusion order entry process and clinical processes non-compliant



Practice with an infusion suite was using a system communication function in the EHR to request the infusion from the nurse.

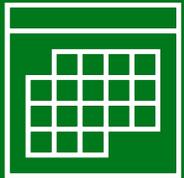
- Formal order and signature not created



Clinical compliance not revealed during diligence due to level of review:

- A clinical documentation assessment is not performed to confirm the adequacy of support for the service and clinical appropriateness of the process and dosing.
- However, we started doing these reviews because after diligence, the portfolio was identifying these issues.

Supervision compliance and what the financials cannot reveal



Practice had an infusion suite and offered services on the weekend.

- The coding and billing review did not identify any discrepancies because the infusions were billed under what appeared to be the billing provider.
- The on-site operational assessment revealed the weekend services were not appropriately supervised.
- A registered nurse was administering the infusions unsupervised without a non-physician practitioner or physician present.



Resolution:

- Change in process – practice stopped providing weekend infusion services unless appropriate supervision was arranged.

On-site clinical assessment reveals old equipment and inappropriate use



During the on-site assessment, it was found scopes used for endoscopies were 15 years old.

- The cost to replace these scopes was factored into post-closing expenses.



Inappropriate use of the autoclave

- The machine was not functioning correctly, so the staff constantly used the flash cycle.
- The on-site assessment also found the ASC did not have enough trays to clean enough instruments timely to support the surgery schedule, so the flash cycle was used.

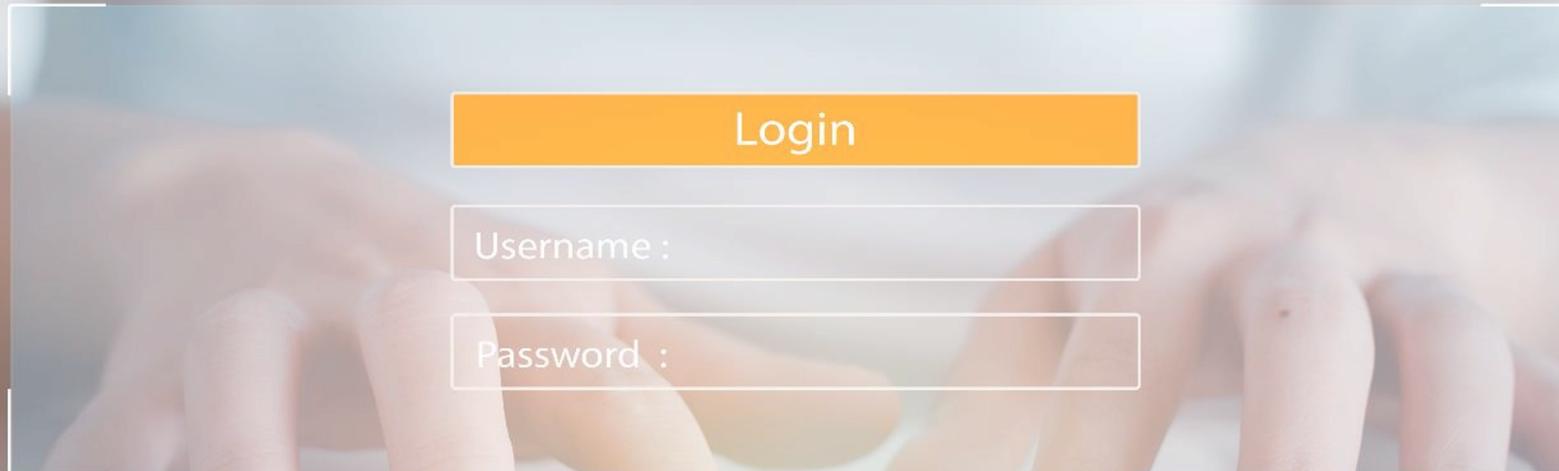


Resolution:

- Enough instruments and trays were purchased to support the surgery volume.
- The autoclave was replaced.

3. Diligence Limitations

- Due to the method used in accessing the record or when paper records are provided during diligence, the documentation methods and data entry process is not revealed.
- If the processes for logging-in, data entry for the medical record and order entry, and signatures is not reviewed, issues may be revealed after diligence.



Sample Size

- Coding and operational assessments include a high-level and small sample review to spot check the risk.
- This level will not reveal all compliance issues, especially if the staff is doctoring the records or are focusing you on their good side, etc.



Delayed Mitigation



- Diligence results are only worthwhile when used quickly to mitigate risk.
- Lengthy delays in onboarding due to deal volume or payer contracting to allow for the shift in the new ownership can lead to a year or two of cleanup for the new entity. This reduces the ROI for the investor and puts the success of the portfolio on shaky ground.



Insufficient Diligence



- Incomplete and no diligence can result in surprises post-closing, even for small practice acquisitions where resources for diligence were limited (or diligence was conducted internally by the client).
- **Risks include:** a key employee might become a whistleblower after the deal, or fraud and abuse risks are uncovered that were not sufficiently reviewed during diligence.

- Post-closing compliance and regulatory recommendations may slip through the cracks if not diligently tracked, documented in a work plan, and followed up on.



4. Industry Best Practices

Best practices for auditing, monitoring, and internal controls after diligence, including how to incorporate pre-closing diligence findings

Industry Best Practices



Review diligence results to identify the processes for auditing, monitoring, and internal controls.

For any processes not reviewed, prioritize them based on risk, and assess them

Any issues confirmed or identified should be immediately resolved or added to a work plan.

Immediately stop or revise any processes that are significant risks.

Provide education and monitor for understanding at the location/site level.

Prioritize the work plan and commit to completion in a reasonable timeframe.

Culture and Human Capital



- Employee relationships and engagement
- Change management
- Empowerment to support improvements and speaking up
- Intentional and wise placement of leaders in the roll-up companies
 - Get to know the leadership before placing them in regional roles
 - Charge leaders to create and implement a mitigation plan and assess capabilities



If you have any questions, please do not hesitate to contact us.



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Thank you!



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