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Coding & Auditing: A Winning Combination for Financial Success

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Introduction

In the complex and ever-evolving environment of healthcare, financial stability is of the utmost importance.

Both medical coding and auditing processes are crucial to maintaining stability. In this eBrief I will share insights on the vital role that both coding and auditing play in ensuring the financial health of healthcare organizations. By exploring the impact of accurate coding and the benefits of proactive compliance audits, you will learn the significance of this dynamic duo in today's world of healthcare.
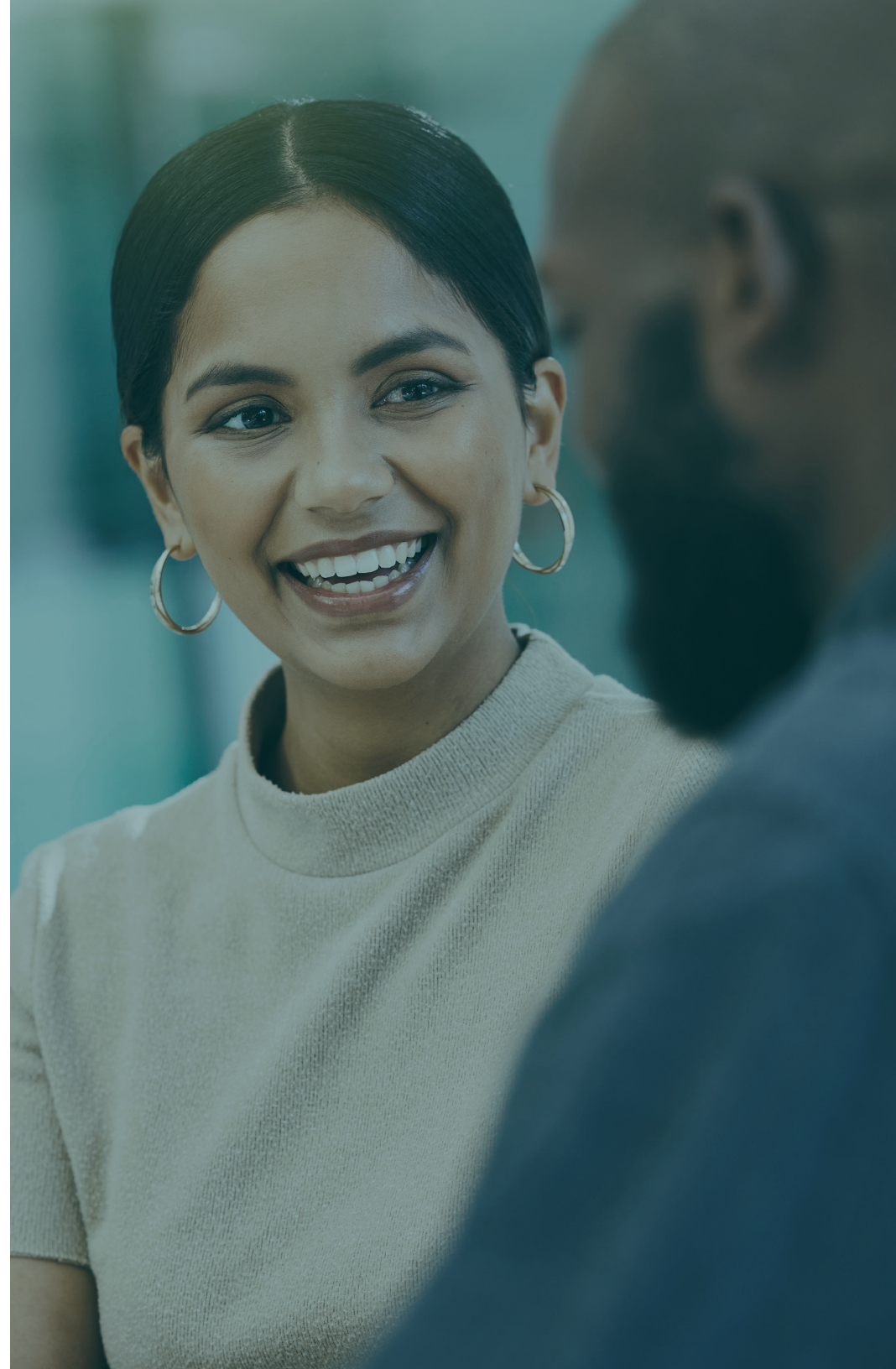
The Power of Accurate Medical Coding

Accurate medical coding serves as the cornerstone for healthcare organizations to secure their financial health. By correctly translating healthcare services, procedures, and diagnoses into codes, healthcare providers can effectively communicate and bill for their services. Here are some facts that highlight the power of accurate medical coding:

1. Revenue Leakage

Inaccurate coding contributes to revenue leakage, which directly impacts the organization's revenue cycle. According to a study by AAPC Services, 19% of Evaluation and Management Services are under-coded. Let's put this into perspective. On average, a primary care physician sees about 2,500 patients per year. If the average loss of under-coding was $30 dollars per claim, this calculates to a total annual loss of $14,250.

2,500
Average # of
Patient Visits/Year

0.19
Percentage of E/M
Services Under-coded

30.00
Dollars
Per Claim

2,500 x 0.19 = 475

475 x $30 = ($14,250)

2. Compliance and Regulatory Requirements

Accurate coding ensures compliance with government and commercial payers, as well as mitigates risk of penalties. Non-compliance can lead to financial setbacks. CMS Final Rule on Risk Adjustment seeks to claw back $4.7 billion from 2023 through 2032 on overpayment of part C and D claims. These overpayments were a result of upcoding of ICD 10 CM codes with a higher level of specificity than what was documented. Implementing coding tools and strategies such as encoders, CDI programs and physician query processes can mitigate the risk of penalties, payer audits and safeguard financial stability.

3. Timely Reimbursement

Properly coded medical claims expedite the reimbursement process, leading to faster payments. Inefficient coding practices can result in claim denials, delays, and subsequent revenue loss. According to a study by AAPC Services, 24% of claims are denied due to coding errors. When denied claims must be reviewed, recoded, and rebilled, it costs the organization both time and money.

Accurate coding ensures that all services rendered are appropriately documented, billed, and reimbursed in a timely manner, reducing revenue leakage, and maximizing revenue potential.

Compliance Auditing Is An Indispensable Tool

Effective financial management in healthcare organizations goes beyond accurate coding, it requires a robust auditing program that dives into the intricacies of billing and clinical documentation. Comprehensive auditing acts as a safeguard, ensuring that coding practices align with industry standards, identifying potential risks, and maximizing revenue capture. Here are examples of how compliance auditing serves as an indispensable tool in maintaining financial health:

1. Proactive Risk Mitigation

Conducting comprehensive audits enables healthcare organizations to identify coding errors, potential fraud, and compliance gaps before they escalate. Comprehensive audits may include highly utilized services, high-dollar services, and areas identified in the OIG watch list, CERT, RAC, and other regulatory reviews. By identifying and rectifying coding discrepancies promptly, organizations can avoid costly legal consequences and protect their financial well-being. Audits serve as a proactive risk management tool, ensuring that coding practices align with industry standards and regulations.

2. Maximizing Revenue Capture

Compliance audits go beyond error detection. Regular audits can identify missed opportunities for revenue capture, such as under-coded services or missed billable items. By ensuring that all services rendered are correctly documented and coded, healthcare organizations can optimize their revenue potential. Audits also help identify areas of improvement, such as documentation gaps or coding patterns that result in revenue loss, allowing organizations to make necessary adjustments and maximize their financial outcomes.

3. Quality Improvement

Audits serve as a valuable tool for quality improvement initiatives. By analyzing coding patterns and identifying areas of improvement, healthcare organizations can enhance patient care, identify training needs, and optimize their financial outcomes simultaneously. Accurate coding supports clinical documentation integrity, enabling accurate reporting of patient encounters, diagnoses, and procedures, which aids in population health management, research, and quality reporting.

4. Clinical Documentation Improvement (CDI)

CDI Auditing is a crucial aspect of comprehensive auditing. The strategy of CDI auditing is to enhance the quality, accuracy, and specificity of clinical documentation, ensuring that it adequately reflects the services provided to patients. By working closely with physicians, auditors can identify opportunities for improved documentation, including capturing missed diagnoses impacting the medial necessity of the service, clarifying ambiguities within the record, and provide insights on proper documentation of clinical information to ensure accurate translation to codes.

By incorporating comprehensive auditing practices, healthcare organizations can strengthen their financial health, optimize revenue capture, improve coding accuracy, and enhance compliance. These auditing services work together to protect the organization's financial stability while driving quality improvement initiatives and ensuring optimal patient care.

How Can AAPC Help?

AAPC can be your partner in achieving your strategic and collaborative goals. We offer coding services administered by certified specialists versed in 40+ specialties. They have the expertise to navigate outpatient ICD-10, CPT®, HCPCS Level II, APC, pro-fee, and risk adjustment coding with precision, ensuring optimal coding while upholding rigorous compliance standards.

Our suite of audit solutions is designed to fortify your compliance program, addressing vulnerabilities, and mitigating key risk areas. With a team of experienced auditors possessing multiple certifications in coding, auditing, CDI, and healthcare compliance, each audit undergoes meticulous multi-tier reviews customized to your organization.

At AAPC, we have the best experts, education, and software to help your organization avoid costly errors and ensure optimal reimbursement.

Conclusion

In today's landscape where financial stability is vital for healthcare organizations, medical coding and auditing are a dynamic duo, serving as powerful tools to ensure financial health. Accurate coding optimizes revenue cycle management, ensures compliance, and expedites reimbursement. Comprehensive audits mitigate risks, identify revenue opportunities, and drive quality improvement. Neglecting these crucial processes can lead to revenue leakage, compliance risks, and legal consequences. By embracing these practices, healthcare organizations can build a solid foundation for financial well-being.

By partnering with AAPC, you can be confident your organization is taking the appropriate steps to maximize revenue, without compromising compliance.

References

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Stephani Scott, RHIT, CPC, Vice President of AAPC Services, has over 25 years of experience in the healthcare industry, working closely with physicians and staff in health information management. She has worked in a variety of settings including hospital, long-term care, large multispecialty physician practice, and electronic health record software design and development. Scott has extensive experience in inpatient and outpatient auditing and coding compliance and is responsible for overall project performance and client satisfaction. Scott was also a part-owner of a consulting company for many years, providing services in best practices for physician practice management services including coding, billing, and revenue cycle management audits.

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