Baseline Audit Facts and How-To

When beginning any compliance program or installing compliance measures into a practice, one of the best tools to evaluate your current situation is a baseline audit and review. This audit should include all the necessary reviews noted in this Fact Sheet. Where possible, a qualified and certified consulting firm, such as KMC University, should be retained to provide initial and annual baseline audits for all providers, preferably under Client/Attorney Privilege, where appropriate. A true baseline practice audit to identify your current status when beginning to install compliance should include the following items:

1. A minimum of ten charts per provider should be completely audited for documentation, coding, and billing as well as adherence to utilization guidelines.
2. A baseline coding audit should be conducted for evaluating monthly code usage for at least the prior twelve months. Comparative analysis will include a review of Evaluation and Management Coding, chiropractic manipulative treatment coding, modality and procedure coding, and all other ancillary services provided to patients. This review should be conducted for each physician in the practice.
3. A review of existing policies and procedures installed in the practice should be conducted to assess what is in place and what should be added.
4. A baseline audit is an opportunity to appraise your internal systems of the practice. The following are a sampling of systems that may require review:
   a. New patient processing systems
   b. Documentation system
   c. Financial department systems for third party and patient billing and collections
   d. Patient case management system
   e. Marketing systems
   f. Internal and external communication systems
5. A brief review of your existing HIPAA compliance program for privacy and security, your OSHA compliance, and CLIA compliance, if applicable.
6. An assessment of your state specific licensing, advertising, marketing, and advertising descriptive titles to insure adherence to regulations and laws. This includes letterhead, business cards, signage, etc.
7. Validation of all licensed employees’ status and non-exclusion from Federal or insurance programs. This should include business licenses, professional licensure and certifications, and appropriate local tax licenses.
8. Analyze any existing third party contractual obligations and agreements to insure full compliance with your obligations and expectations.

All of the above reviews are important and necessary when beginning a compliance process. This allows the practice to become aware of deficiencies and weaknesses that are inherent in a system with human beings in it. There is expectation that mistakes and blunders will occur, and thus the need for a compliance program to keep mistakes to a minimum with outlined action steps to correct them when they occur.

Documentation Audit

The chart review audit will analyze claim development and submission from patient intake through claims processing. The audit will provide insight to possible risk-areas, inappropriate behavior or conduct associated with the services provided, documentation of the medical record, and billing and reimbursement practices. The baseline review will be accomplished initially and then at least annually, consisting of 10 charts per provider. The necessity for subsequent internal follow-up audits will be determined by the errors and error rate identified in the baseline audit. The patient
records will be randomly selected with dates of service since the providers last educational session and will be on records in pre-payment status.

**Other Audit Activities**

Additional components of the baseline audit are detailed and outlined in other Fact Sheets contained in the Compliance Department of KMC University’s client area. There you will find comprehensive summaries of step by step processes for auditing billing, coding, and explanations of benefits. As with the documentation audit, follow up audits of the other areas of practice noted above should be repeated at least annually.

**Audit Reporting**

The all-inclusive report of the baseline audit should include the following information and data:

- **Audit Report by Provider:** Error rate data and regulations for identified errors should be included in the final report, as well as the summarized reports for each provider.
- **Provider Recommended Education:** All identified errors should have a crosswalk to recommended training for each. This should also include the “by when” that training is to be conducted.
- **Follow-up Audit Activity:** Based on the following table, an analysis of the error rate found and the schedule of additional follow up audits should be included, and calendared.

<table>
<thead>
<tr>
<th>Error Rate</th>
<th>Schedule for follow-up Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Annual</td>
</tr>
<tr>
<td>20%</td>
<td>Eight months</td>
</tr>
<tr>
<td>30%</td>
<td>Seven months</td>
</tr>
<tr>
<td>40%</td>
<td>Six months</td>
</tr>
<tr>
<td>50%</td>
<td>Five months</td>
</tr>
<tr>
<td>60-70%</td>
<td>Four months</td>
</tr>
<tr>
<td>80%</td>
<td>Three months</td>
</tr>
<tr>
<td>90%</td>
<td>Two months</td>
</tr>
<tr>
<td>100%</td>
<td>One month</td>
</tr>
</tbody>
</table>

The Compliance Officer will be responsible for the scheduling of all audit activities. In addition, following the baseline audit, the Compliance Officer should provide a report to the practice management including ‘benchmark’ error rates for each provider in order to monitor improvement. This report should be completed immediately after the annual and any internal audit activities.