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An Interview with Randy King

By Beverly Healey in *Company News Comprehensive Audits, Healthcare Spending, Industry News,*

Interviewer:

Randy King is the president of Healthcare Horizons Consulting Group. Randy, what is Healthcare Horizons and why do organizations choose your firm to help them?

Healthcare Horizons Consulting Group President Randy King

Randy King:

At Healthcare Horizons, we focus exclusively

on providing healthcare claim audits for self-insured employers. Self-insured employers are directly at risk for their medical dollars.

For example, when a self-insured employer receives a medical claim for a million dollars from a provider, the employer directly funds that million-dollar claim. A TPA, or a third-party administrator, such as Blue Cross/Blue Shield or Aetna, simply handles the administration of the plan. The TPA is not at risk financially. And since the employer is at risk financially, it is in their best interest to audit their claims to make sure these payments are accurate. For example, if that million-dollar payment should have only been nine-hundred thousand dollars, our audit will find that a hundred thousand dollars should go back to the employer's bottom line.

At Healthcare Horizons, our specialty is to do comprehensive claim audits, which means our team is going to look at every single payment electronically, using our proprietary data analytics software designed to identify potential overpayments. If we find an error, we apply that same logic across the entire claims universe just to make sure we have identified all overpayment instances that can be recovered and returned to the employer.

Now that is in contrast to a random sample audit that many other firms, and many of our competitors use, where they perform a statistically valid random sample claims audit. In this practice, they look at only a select number of claims. After review, they will apply extrapolation to come up with an expected overall accuracy rate. However, the incorrect claims are never truly identified.

Interviewer:
That's interesting. What are the advantages of your methodology over the random sample audit?

Randy King:
I think companies that use a random sample audit do it because they say, "that's the way we've always done it." Even in my early days working for a TPA, we would randomly pull pieces of paper out of boxes, and audit those claims. The two reasons that I think companies choose a random sample audit are because 1) they've done it in the past, and 2) because plan administrators would prefer it because of the unlikelihood of finding an error.

I'll give you an example. A few weeks ago, there was a ground ambulance charge of about $1,000. Due to a problem in the system, that ground ambulance claim was paid $700,000. The employer unknowingly funded the false claim for hundreds of thousands of dollars more until our team found it,

corrected it, got the claim adjusted, and received those dollars back.

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Now, the odds of that particular claim coming up in a random sample selection would be pretty slim. This employer has millions of transactions each month, and if we were just limited to a random sample of two hundred and fifty claims, the chances are very high that this claim would never have been selected for review.

Interviewer:
Wow, that's great! With so many millions of claims processed, how frequently do you suggest that self-insured employers audit their claims? And what questions do you recommend that employers ask before selecting a firm to audit their claims history?

Randy King:
We recommend doing an audit every year, if possible. Most contracts between a TPA and a healthcare provider are going to state that after two years, there can be no recovery. So, if you do an audit every two years, you're automatically going to lose several months of claims that are irrecoverable. It takes a few months to complete the audit and identify the claims. We recommend an audit every year.

Let's talk about how to select an audit vendor. If I am an employer, I want to make sure the auditor is doing a comprehensive audit versus a random sample. And even if the firm is going to do a complete audit, I want to make sure that they are checking the very lowest level of claims.

Some audit firms will only audit claims over, say, $1000. Well, not too long ago, we discovered an issue that involved a chiropractic benefit limit. Most chiropractic claims never even reach a hundred dollars, much less a thousand dollars in payment. Using our processes, we found thousands of errors. When multiplied by this relatively small dollar amount, it turned out to be a pretty good finding for our client.

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Second, I would be wary of someone saying that they have a pure software solution. To me, a healthcare audit is not a software solution. Yes, we run a lot of queries, we use data analytics, and we would like to think we are pretty sophisticated as all that goes, but it boils down to the experience of the auditor – their experience with a TPA and how they handle claims, the auditor's experience with common claims errors, and the auditor's knowledge of how these claims slip through.

I'll give you an example. One of the first reports any auditor is going to run is a duplicate claims report. Well, I can tell you from experience, that if you take a claims data set and try to match it on the member, provider, and date of service, you are going to get a ton of false positives for many different reasons. It takes an experienced auditor to be able to weed through some of those false positives and uncover the claims that can be recovered. Be careful of anyone that says, "Hey, we have an electronic solution."

You also need to make sure the audit firm is going to make site visits to the TPA. We have seen auditors that like to run a bunch of reports, send those reports directly to the TPA, and have no intention of doing a site visit. At Healthcare Horizons, we have to get on site with the TPA so that we can review the claims delivered and uncover the root causes of the incorrect claims.

Interviewer:
What would say separates the best from the worst? If you're an employer, how do you decide who's doing the best audit work?

Randy King:
Well, I think experience is key. We have been in this business for over sixteen years now. Dealing with, or experience with, dealing with large employers it is key, too. We've dealt with several Fortune 100 companies. These companies have given us great experience in auditing large data sets.

And honestly, you also want someone that's going to work cooperatively with the TPA, in my opinion. A self-insured company does not want to hire a healthcare audit firm that's going to disrupt the relationship with their TPA. Most of our clients have been with the same TPA for many years. Some employers have not yet done an audit, but they feel it's the right thing to do. However, they're a little apprehensive because they don't want to upset their relationship with the TPA. A good auditor does not want to disrupt the relationship, they just want to go in there and do a good job, a thorough job, and if there are issues, report those in a professional manner and seek to get those corrected and recovered, if possible.

And, if you are looking to do a contingency based audit, you need to make sure that the auditor's going to get paid on recovered dollars, not identified dollars. For example, if we identify a million-dollar duplicate claim that both the TPA and the claimant agree that it is a duplicate, we would not be paid until the employer receives the over-payment. That's an important difference as well.

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Another important factor in contingency audits is that the self-insured employer needs to confirm with the auditing firm that the employer will decide on what kind of recoveries will be targeted. In our line of work, most of the overpayments that we identify are going to benefit the employer without any member impact. However, we do occasionally find claims, which if the employer were to recover the improperly paid claim, it would create an adverse member impact.

Benefit exclusions would be a good example. Let's say your plan does not cover acupuncture. We when run an audit of your data set, we might find a lot of acupuncture claims that should not have been paid. I feel that as the auditor we should give the employer, in my opinion, the right to say, "Hey, we don't want to recover those historical claims because that's going to result in the provider billing the member. We do want to get it corrected moving forward, but we don't want to go back and correct historical claims." If we are the auditor, in that case, we do not attempt to charge for a finding that's not going to result in dollars returning to our client.

Interviewer:
At the end of an audit, what kind of reports does the company receive?

Randy King:
At the very end of the audit, our clients receive a written report that summarizes our overall process. The report is a global overview of our process, including some of our key areas of testing. We provide more detail on what we tested, and then we give a summary of the claims tested on site, along with any findings. We quantify these results just to let the employer know what kind of dollars, or available recoveries, are on the table, and we would separate those from what we would call "in sample," or the claims that we review on site at the TPA.

We limit that initial selection of claims to roughly two hundred claims. So within those two hundred claims, we tell the employer how much money is being reviewed. When we uncover findings within that initial sample, we identify additional claims with the same type of error. We cite those as "out-of-sample" findings as well. Between the original sample, and what we call "out-of-sample," we perform a complete audit on behalf of the employer. We then provide a complete listing of supporting claims detail that backs up these numbers as well.

Claims payments are now bundled using new methodologies — a change that will lead to new audit opportunities.

For example, if we have a $100,000 in potential recoveries, we create a list of claims where the total recoverable amount equals $100,000. It will then be the TPA's responsibility to initiate the collections and to recover those funds on behalf of the employer.

We also provide recommendations, where appropriate, for plan improvements. Not too long ago, our client's plan explicitly stated that anything "non-par," or "non-participating," would be limited to full bill charges. This language did not help support the employer. A good policy includes a limiting factor, rather than full bill charges. This recommendation did not result in any recoveries, but it will help them moving forward.

Interviewer:
Have you had examples where the client previously did random sample audits, but became dissatisfied with the results and wanted to do a complete audit, like yours?

Randy King:
According to the agreement with their TPA, many employers can only do a random sample audit. We highly suggest that employers make the change.

And, quite frankly, we don't run into many employers who are unsatisfied with the random sample audit. Why? I think it's because expectations are so low for a random sample.

Many companies boast a 99% projected accuracy rate with their random sample audits. It sounds pretty good, right? However, if you're a self-insured company with $100,000,000 in claims, you are probably leaving at least million dollars on the table. And with the random sample, you're never going to get that money back.

Interviewer:
What do you recommend to employers who want to recover incorrect claims, but do not want to impair the relationship with a loyal employee?

Randy King:
Many of our clients prefer to not go after recoveries that will directly impact the member. We recommend that our clients tell their TPA, "Hey, the TPA made a mistake. How about a direct credit or settlement to us?" That is a viable option.

Interviewer:
What does the future hold for healthcare claims in 2017?

Randy King:
Well, I think one possibility would be different payment methodologies. We see more and more that payments are bundled. For example, as opposed to fee for service, it will present a challenge for the TPAs to price the claims correctly according to a bundled methodology. This change is going to lead to new audit opportunity.

Unfortunately, I don't see health care costs doing anything but going up. Everyone seems to want the Cadillac of healthcare. People are going to continue to use the emergency room when they don't need to.

I don't see any significant changes coming to healthcare other than costs are going to continue to rise. And that's all we've seen over the last several years. I don't see anything that's coming down the pipe that's going to change that.

Interviewer:
Randy, thanks for your time today. I think we all learned a lot about healthcare audits and the future of this industry.

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