Conducting a Charge Description Master Audit: Getting the Most Value from an Internal Review

By John Richey, MBA, RHIA

Periodic audits of the charge description master are a key piece of an organization's compliance program. But they can do more than verify compliance-they can help improve the business.

The Centers for Medicare and Medicaid Services requires that all healthcare entities develop and implement a compliance program. One of the key components of a compliance program is periodic charge description master (CDM) auditing.

Reviewing for accuracy is the most important part of an audit, but value-added auditing is more than just a review. Value-added auditing is a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.[1]

Value-added auditing has a focus and a purpose, the results of which yield information that is actionable; facilitate education and communication among stakeholders; and enhance an organization's overall compliance, giving it a better handle on its financial operations. Therefore, for many practitioners, this phrase describes audit work that helps management improve the business, rather than assignments that simply verify compliance with policies and procedures.[2]

Planning and conducting an internal audit can be broken out into 13 steps, the first seven of which-from defining the goals to evaluating the results-are summarized below.

Considerations

Successful audits do not just happen. Careful consideration should be given to the following factors to make certain that the audit will yield the best results for the organization:

- Goal: What is the overall goal of the CDM audit? The main goal of any CDM audit is to validate accuracy to support compliance and the revenue cycle. It is possible that there could be additional goals, such as to yield information to support staff education and training.
- Scope: Is the audit to be broad in scope, looking at the entire CDM and every field within it? Or is the audit to be targeted or limited, for example to just certain fields within the CDM, or to the CDM items in one specific department, or to high-volume, high-risk procedures and services? The broader the scope, the more resources required to complete the audit.
- Frequency: How often will audits occur? The entire CDM should be reviewed annually. Targeted CDM audits should occur more frequently, such as the CDM of a newly opened department or service, which could contain dozens or even hundreds of new charge items.
- Budget and resources: What funds are available to support the audit? Has the department or organization budgeted sufficiently to assure successful completion of the auditing effort? As mentioned earlier, the broader the scope of the audit, the more resources required to complete the audit.
- Staff: How many staff will be required to support ongoing auditing? What are the required education, credentials, and skill sets for the staff?
- Space: Is adequate work space available for staff to perform their duties? Do any modifications need to be made to accommodate their needs? Is there adequate lighting, heating, ventilation, air conditioning? Is there adequate table or desk space?

- Equipment: Is the available equipment sufficient to support staff needs? Are computers available and are the speed, hardware, and software robust enough to meet staff needs?
- Supplies: Are software programs available to staff to support the auditing effort? Are reference materials available?

Once these questions are answered, then the audit can be designed and conducted.

Designing an Audit

Audit design is driven by the goal, scope, and frequency considerations. The main goal of any CDM audit is to validate accuracy and consistency to support claim submission, compliance, and the revenue cycle.

The CDM audit with the broadest scope is the audit of the entire CDM, in which every field is reviewed and validated. For large organizations this can be a daunting challenge, requiring many resources, which is why this review is usually performed no more than annually. Most audits will be narrower in scope. For example, if the CPT code for a given service is changed, then a review of only the charge description and CPT code fields is warranted.

There are several factors that drive audit frequency. One is periodic CPT code additions, changes, or deletions by the American Medical Association. As new CPT codes are created, old ones deleted, and others modified, CPT codes within the CDM must also be changed to ensure compliance. Additionally, HCPCS Level II codes are updated yearly and should also be considered for addition, modification, or deletion from the CDM. The CPT/HCPCS code fields within the CDM must be audited every time official CPT/HCPCS code changes are published.

Another factor which drives audit frequency is public and private payer guidelines. Payers will periodically issue National Coverage Determinations or Local Coverage Determinations, in which they communicate changes to payment rules for various healthcare procedures and services. As each new coverage determination is published, the CDM items for such services must be audited to ensure compliance with the most current rules.

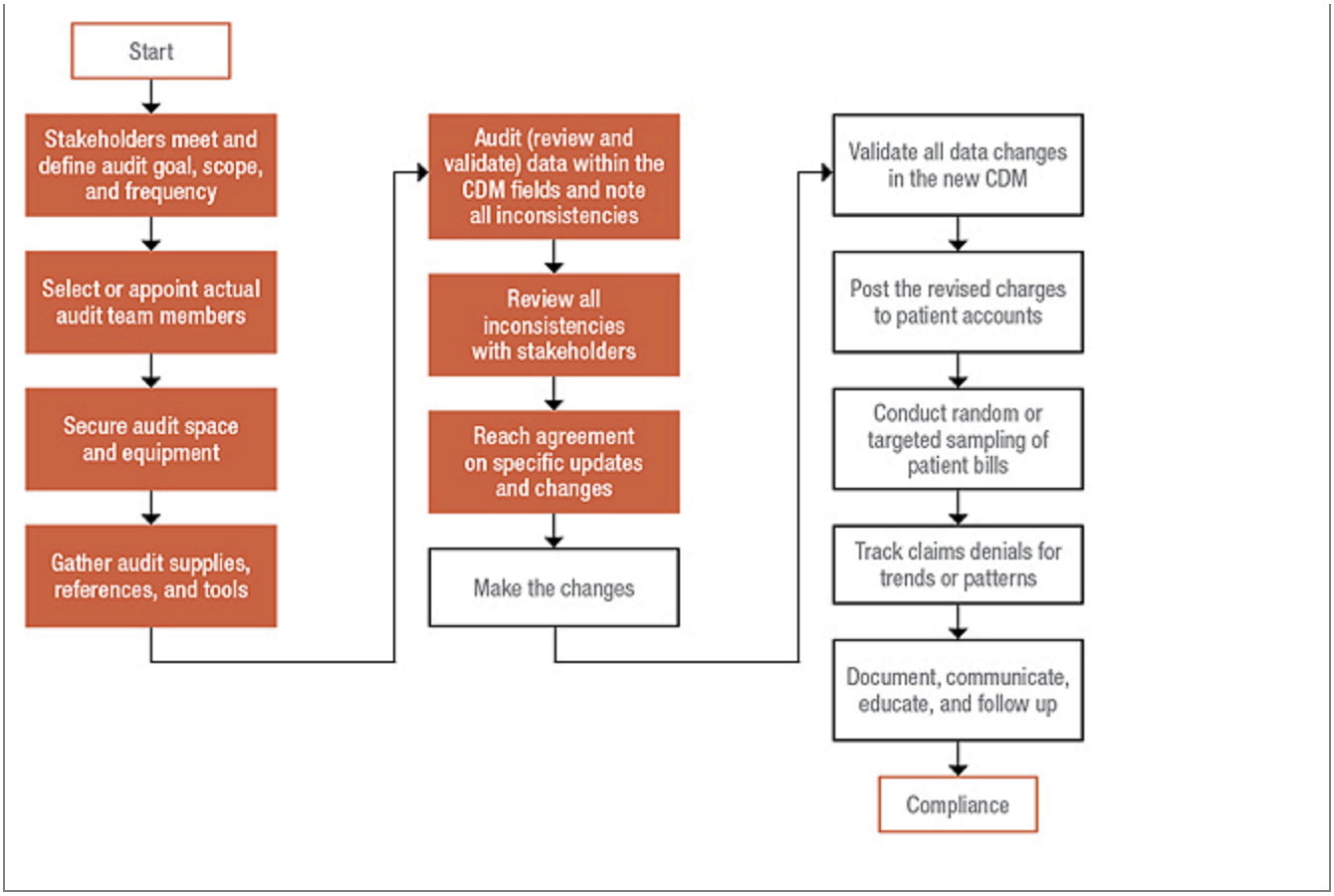
Other factors that drive audit frequency include quarterly and yearly changes to the prospective payment system, periodic changes to the Office of the Inspector General Work Plan, and the National Correct Coding Initiative. Therefore, it is not uncommon for multiple audits to be occurring simultaneously. Ultimately, once the goal, scope, and frequency of an audit have been determined, the audit can be designed by allocating the necessary staff, space, equipment, and supply resources to actually conduct the audit.

Steps to Conducting an Audit

There are a series of steps that should be followed in sequence to ensure that an audit actually yields favorable results. The figure below offers a complete flow chart for internal audits; the initial steps are described in the following sections.

Sequential Steps in Conducting a CDM Audit

From start to compliance, an internal audit progresses through more than a dozen broad actions, beginning with defining the goal, scope, and frequency of the audit and ending with monitoring and follow-up. The steps described in this article are highlighted in the figure below.



Stakeholder Agreement

First, the CDM stakeholders should meet to reach alignment (agreement) on the goal(s), scope, and frequency of the planned audit and to coordinate the audit effort. The stakeholders are persons who have a vested interest in the outcome of the audit. They are typically persons with management responsibilities over functional areas involved and can be regarded as subject matter experts in their respective areas of responsibility. At a minimum, the following stakeholders should participate:

- **Compliance officer or representative:** The organization's compliance officer should spearhead the CDM audit effort, with the overarching goal of assuring accuracy and consistency to support compliance and the revenue cycle. He or she participates as needed to remove barriers, foster communication, and provide leadership and direction.
- **Finance department representative:** This person typically coordinates the audit effort, schedules stakeholder meetings, conducts the actual audit, reports audit findings, makes the corrections in the CDM, and handles post-audit communications and follow-ups.
- **HIM representative:** This individual is a CPT/HCPCS coding subject matter expert who helps determine which CPT/HCPCS codes will be hard-coded into the CDM and which will be soft-coded or assigned by coders in the HIM department. The HIM representative also reaches alignment with the clinicians on the best CPT/HCPCS code to be assigned to a given procedure or service.
- **Clinicians and ancillary department heads:** These people are clinical procedure and service subject matter experts. They work with the HIM representative to confirm that the proposed CPT/HCPCS code for a given service matches the description of the actual services rendered. Staff in the clinical departments also enter orders and post charges to patient accounts during or shortly after the patient visit. Accuracy at the charge posting level is a critical point in the revenue cycle.
- **Business office and business services representative:** An expert on reimbursement and payer guidelines, this individual has access to the latest payer guidelines, has detailed information on past and recent claims denials, and also has detailed information on allowable data within certain fields in the CDM.
- **Contracts department representative:** This person is a managed care contracts subject matter expert. He or she has access to all relevant managed care contracts, which detail certain contract-specific pricing and CPT/HCPCS coding requirements.

- **IT representatives (larger environments):** IT staff who directly support computer applications that link to the CDM (for example, order-entry applications, supplies and materials management applications, and surgery applications) should also be involved. If the CDM can be regarded as the hub of a wheel, then the various linked applications are the spokes.
- **Decision support staff (larger environments):** These individuals perform report writing and data mining. In addition, they may perform data sorts of the entire CDM computer file or certain fields within it and also may compile audit reports.

Appoint Audit Team

After these subject matter experts have determined the goal(s), scope, and frequency of the audit, the second step is to appoint members of the audit team who will conduct the actual audit.

Audit team members must have the requisite skills and knowledge to validate CDM data, so they must be selected carefully. Team members may be the stakeholders themselves or their designees. In either case, the audit team must be aware of and accountable for the goal(s), scope, and frequency of the audit. Regarding the amount of staff, there is no one formula to set staffing levels for auditing; each organization needs to determine what amount of auditing staff is reasonable.

Larger environments may employ a staff of one or more internal auditors whose job it is to conduct CDM audits. This staff is budgeted for and their work is financially supported as a part of the organization's compliance plan. Smaller organizations may not have a formal internal auditing department or staff but must still conduct periodic CDM audits to support compliance. Adequate funds for CDM auditing should be budgeted in every annual budget cycle.

Secure Space, Equipment, and References

The third step is to secure adequate space and equipment. The fourth step is to gather the latest source and reference materials to support the audit as follows:

- Compliance resources from the Department of Health and Human Services (HHS) Office of the Inspector General (OIG) Fiscal Year Work Plan
- Facility-specific compliance plan
- National Correct Coding Initiative
- Coding sources and references, including ICD-9-CM volumes 1–3, Healthcare Common Procedure Coding System levels 1 and 2, Hospital Outpatient Prospective Payment System, and the National Drug Code
- CDM vendor resources (e.g., user's guide or manual that spells out in detail requirements for CDM maintenance at the CDM file and field levels)
- Allowable data requirements within each field of the CDM, which vary from vendor to vendor
- National Coverage Determinations and Local Coverage Determinations
- Other public and private payer guidelines (e.g., detail medical necessity and reimbursement policies set by various other entities)
- The CDM file itself (hard copy or electronic)

Conduct Audit

The fifth step is to conduct the actual review of the CDM fields, taking care to specifically validate all data elements. Members of the audit team must have the proper audit mentality, which is to strive for the utmost CDM accuracy and consistency, involving all relevant stakeholders, and using all available resources to support the compliance plan, the revenue cycle, and the organization's mission. They will need to actively coordinate and communicate throughout the audit.

The CDM is the vehicle through which a healthcare facility conducts all its charging operations. It is the link between the front-end ordering systems and the back-end billing systems. Consequently, every billable but not separately payable procedure, service, drug, or supply should be included in the CDM. Additionally, there should be reasonable expectation of coverage or payment and reimbursement for the item or service. The exception to this guideline is charge codes included in

the CDM for statistical purposes. These items or services are included in the CDM for internal tracking and are not meant to be used for billing purposes.

During the audit, the audit team should ask the clinical department managers the following questions related to billing and reimbursement. For example, is every billable but not separately payable procedure, service, drug, or supply used in your department included in the CDM?

An example of a billable but not separately payable supply is a patient who presents to the emergency department needing a laceration sutured. The suture supply item is set up in the CDM at $15 per suture. Suturing services are covered and billable, and although Medicare will not pay for the suture supply item, charge-based payers will. So it is important to include such items on the CDM.

Another question to ask the department manager is if the staff performs any services or procedures other than those listed in the CDM. If so, the CDM committee should consider if these items should be added to the CDM. This may be a good time to discuss the CDM workflows with the department manager.

Other items that require careful attention include:

- **Linked and exploding charges:** facilities that use these charging strategies must audit them carefully, as improper execution can result in significant compliance issues.
- **Department codes:** verifying the department number for a given charge item will ensure the correct department is charged and credited in the cost-reporting process.

The audit team must carefully validate the data within the CDM fields for every item, specifically noting any data fields that are incorrect or inconsistent. All incorrect or inconsistent data items must be reviewed with the stakeholders relevant to that specific section of the CDM (department) to:

- Confirm the error or inconsistency
- Agree on the correct data
- Agree on the time frame to make the change in the CDM (immediate, at beginning of next month or quarter, or other time)
- Obtain sign-off on the data changes and time frame, and retain the sign-off sheets for future reference

Implementing, Monitoring Changes

Once the review and validation occurs, the facility will move to a new phase of agreeing to any changes with stakeholders, implementing, and validating the changes. Facilities should monitor activities post-implementation to ensure that the changes have been made accurately and determine a return on investment. A value-added CDM audit can result in many improvements, but it should yield two significant results:

- A favorable (downward or reduced) trend in delayed and denied claims
- Increased stakeholder ownership over their part of the organization's overall compliance plan

Acknowledgment

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Notes

1. Institute of Internal Auditors. 2010. www.theiia.org.
2. Roth, James. "How Do Internal Auditors Add Value? Characteristics Common to Top-Rated Audit Shops Help to Shed Light on the Nebulous Concept of Adding Value." Internal Auditor 60, no. 1 (Feb. 2003).

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