

## **Insurance Coding Audits: Who and Why**

**Who** gets audited by an insurance company?

Any practice can be audited by any payer at any time. Be prepared in advance to minimize your practice risk.

**Why** do practices get audited?

1. Regulation: since Medicare and Medicaid are government-funded programs, they must inherently have an oversight/monitoring program. A percentage of Medicare and Medicaid practices are audited every year to comply with regulations.
2. \$\$\$: the pressure on both governmental and private payers to reduce the cost of healthcare and the often mistaken, but real, public perception of fraud have caused both public and private payers to increase audits of all medical providers. The Recovery Audit Contractors (RAC) audit program was implemented by Congress to identify and collect Medicare overpayments and was subsequently expanded to encompass Medicaid. In fact, the ACA is partially funded by monies recouped by audits. Private payers similarly use audits to identify and collect alleged overpayments.

**Who** does the auditing?

1. Some insurance payers have their own internal auditing teams and the payer keeps any recovered monies.
2. Some insurance payers contract with an outside auditing firm. The auditing firm gets to keep a certain percentage of monies that they deem are “overpaid.” Therefore they have every incentive to collect more money allegedly on behalf of the insurance company, but in reality that leads to increased profits for themselves.

**Who** is at risk for being audited?

All medical practices are at risk. However, many payers have computerized monitoring which may be triggered by any of the following:

1. Higher than average use of certain procedures and existence of outlier payments
2. Comparison of utilization patterns among physicians with similar practices in the same geographic area
3. Abrupt or substantial change in a practice’s billing patterns or reimbursement amounts substantially over a short time (may actually be appropriate because practice purchased a new piece of equipment)

AAP resources:

[“Oops, we overpaid you: how to respond to payer audits”](#)

American College of Physicians:

[How to Complete an INTERNAL audit \(Internal Medicine, but general principles apply\)](#)

AAPC [E/M Utilization Benchmarking Tool](#) (be sure to pick the appropriate specialty)

Physician's Practice: [Surviving a Payer Claims Review Audit](#)

Legal Perspective from Whatley Kallas: [Recovery Audit Contractor \(RAC\) and Private Payer Audits: Ten Things Physicians can do to Protect their Medical Practices](#)