



**COUNTY OF SAN MATEO**  
Inter-Departmental Correspondence  
Health System



**Date:** November 21, 2014  
**Board Meeting Date:** January 27, 2015  
**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Jean S. Fraser, Chief, Health System  
Susan Ehrlich, MD, MPP, Chief Executive Officer, San Mateo Medical Center

**Subject:** Agreement with Healthcare Cost Solutions, Inc.

**RECOMMENDATION:**

Adopt a Resolution authorizing an agreement with Healthcare Cost Solutions, Inc. for compliance coding audits of facility and clinic medical records, for the term of February 1, 2015 through January 31, 2018, in an amount not to exceed \$500,000.

**BACKGROUND:**

In 2009, San Mateo Medical Center (SMMC) was subject to a Corporate Integrity Agreement (CIA) with the Office of Inspector General (OIG) of the United States Department of Health and Human Services in order to promote compliance with the regulations of Medicare, Medicaid, and other federal health care programs. SMMC's previous contract for these services expired in April 2014, pending completion of a Request for Proposal (RFP) process. Nine proposals were received and evaluated under this RFP. Healthcare Cost Solutions (HCS) was selected as the vendor, based on its experience, pricing and institutional knowledge gained from working with SMMC providers.

**DISCUSSION:**

SMMC plans to implement ICD-10 in early 2015, ahead of the Centers for Medicare and Medicaid Services official effective date of October 1, 2015. SMMC requested expanded auditing services from HCS to assist our providers and coding staff with this transition. HCS' audit focus has been recently expanded to include documentation review of ICD-10 codes for both hospital and clinic medical records. HCS' scope will also include "face to face" education for provider and coding staff to enhance their documentation and code selection skills.

It is essential that compliance auditing services continue to verify and support correct coding with the new ICD-10 coding system. Accurate coding is essential for proper billing compliance and revenue capture, in addition to building a comprehensive health database that accurately identifies the acuity of patient care and accurate case mix index at SMMC. SMMC is simultaneously submitting for your Board's consideration an agreement with Altegra Healthcare Operating Company for coding services, which will help ensure SMMC coding accuracy during SMMC's transition to the ICD-10 system.

The Resolution contains the County's standard provisions allowing amendment of the County's fiscal obligations by a maximum of \$25,000 (in aggregate).

The agreement and Resolution have been reviewed and approved by County Counsel as to form.

This agreement contributes to the Shared Vision 2025 outcome of a Healthy Community by providing compliance oversight through coding audits, which ultimately affects SMMC's revenue cycle through improved billing and collections. HCS' services also help to reduce costs associated with non-compliance with government programs. It is anticipated that the coding accuracy during the ICD010 implementation will be 98% for inpatient and 95% for out-patient services.

**PERFORMANCE MEASURE:**

Measure	FY 2013-14 Actual	FY 2014-15 Projected
Coding accuracy for SMMC inpatient / out-patient	Inpatient – 98% Out-Patient – N/A*	Inpatient – 98% Out-Patient –95%

\*New Measure

**FISCAL IMPACT:**

The term of the agreement is February 1, 2015, through January 31, 2018. The amount of the agreement is not to exceed \$500,000 for the three-year term. Funds in the amount of \$69,444 are included in the SMMC FY 2014-15 Adopted Budget. Similar arrangements will be made for future budget years.

The payment provisions of the agreement are different from the previous agreement because of a change in the scope of work to include Health Information Management staff education with continuing education credits, a 2% increase in the rate structure, and a 58% increase in the amount of services to be provided.

Expenses at SMMC are covered by fees for services or third-party payors whenever possible. The portion of expenses for services provided to the medically indigent or to those covered by programs that do not meet the full costs of care are covered by the County's General Fund contribution to SMMC, and are within the existing annual appropriation.