



County of San Mateo

Inter-Departmental Correspondence

Department: HEALTH

File #: 18-064

Board Meeting Date: 1/23/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Louise Rogers, Chief, Health System
Chester J. Kunnappilly, MD, Chief Executive Officer, San Mateo Medical Center

Subject: Agreement with Healthcare Cost Solutions, Inc. for Compliance Coding Audits

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, 2018 through January 31, 2021, in an amount not to exceed \$1,125,000.

BACKGROUND:

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 an accurate case mix index. In order to ensure the accuracy of its coding by employee coders and providers, San Mateo Medical Center (SMMC) has identified an ongoing need for compliance coding audits. Coding audits are essential due to annual coding updates, to reduce risk, and to maximum compliance with Medicare, Medicaid, and other federal health care program regulations.

SMMC completed a Request for Proposal in November 2017 for a vendor to perform compliance coding audits. Healthcare Cost Solutions (HCS) was chosen based on experience, pricing, and institutional knowledge gained from working with SMMC previously.

DISCUSSION:

HCS will perform retrospective medical record clinical coding and documentation audits at SMMC. This agreement will increase the number of outpatient charts from 6% to 33%, and reviews will now be performed twice a year instead of annually. In addition, all diagnosis and procedures on patient charts will be reviewed to better quantify SMMC's overall coding accuracy.

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

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

The 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. It is anticipated that the audit accuracy for coding compliance will be 98%.

PERFORMANCE MEASURE:

Measure	FY 2016-17 Actual	FY 2017-18 Projected
Audit accuracy for coding compliance	95%	98%

FISCAL IMPACT:

The term of the agreement is February 1, 2018 through January 31, 2021. The amount of the agreement is not to exceed \$1,125,000 for the 3-year term. Funds in the amount of \$156,250 are included in the SMMC FY 2017-18 Adopted Budget. Funds in the amount of \$375,000 will be included in the SMMC FY 2018-19 Recommended Budget. Similar arrangements will be made for future years.

This agreement represents a 114% increase over the previous agreement due to a significant expansion in scope of work. As mentioned above, the percentage of outpatient charts sampled will increase from 6% to 33% of total charts. In addition, chart audits performed annually will now be audited twice a year. Finally, in order for SMMC to better quantify its overall coding accuracy, audits will be expanded to include reviewing and calculating accuracy rates for all diagnosis and procedures rather than the current practice of only calculating accuracy on charts where a reimbursement change is found.

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.