

**HWT Audit Costs:
For Gordon P. Rhéaume, DPM, FACFAS**

This cost tally represents a single provider office. The period covered in the audit was March 1, 2001 through July 31, 2006 - a period of six years. The initial audit request was made on February 28, 2007. The audit ended on September 7 - a seven month period. The audit spanned 4,069 incidents of service, which included not only the provider's office, but any one of 23 service locations (nursing homes, rural clinics, group homes) spread over a multi-county region in southern Colorado. Many providers, including the one in this office, would have older charts (such as the ones from 2001 and 2002) in storage, which, in this case, is off-site. Other records would be in patient charts maintained by the nursing home where service was provided. In some instances, those charts would have been in storage.

The following represents the cost to this provider for complying with the audit request:

- A. Hours spent by individual staff (by job title) and the hourly rate. Eight staff (including one hired to work on the audit) plus the provider were involved.

Billing Manager (who directed the audit)	366 hrs @ 20.00	= \$7,320
2 associate billing staff	118 hrs @ 13.00	= 1,534
2 general office staff	57 hrs @ 12.00	= 684
2 office clerks (one hired expressly For the audit)	93 hrs @ 10.00	= 930
1 outside consultant	6 hrs @ 33.00	= 198
1 provider	50 hrs @ 150.00	= + 7,500
		<u>\$18,166</u>

- B. Lost billings:
Loss on HMO and commercial insurers which have 90 day timely filing deadlines. All billing is done in-house—billing staff contributed the greatest number of hours to the audit.

$$\$2,000 \times 6 \text{ months} = \underline{\$12,000}$$

- C. Estimated miscellaneous expenses—all computed over the normal rate for each category.

Office supplies: (paper, files, notebooks, printer cartridges)	\$300
Automobile expenses	\$100
Telephone expenses	+ \$100
subtotal	\$500

Total Cost to comply with audit: \$30,666

Continued HWT Audit Costs for Gordon P. Rhéaume, DPM, FACFAS

- D. Other losses for which cannot be easily quantified:
- o Because of delay in billing (all payers) and hence payments, the office has had to reverse the policy of paying all credit charges in full to making partial payments, thus incurring interest charges. This is a first for a practice which is over 17 years old. Since May, the practice has accumulated \$3,000-\$4,000 in interest charges on credit cards used for the business.
 - o Requests for referrals were often untimely, resulting in denied claims for patients who did not have current referrals from their primary care physicians at the time of service. Thus payment was either denied or delayed.
 - o Severe problem with delayed payments.
 - o Because of cash flow delays, key employees received delayed paychecks; the physician has received none.
 - o Employer will be forced to forego employee raises which negatively impacts employee morale.
 - o An estimated 20 percent drop in gross income occurred over five months.
 - o Some surgeries were delayed because of time spent on the audit.
 - o Much needed office remodeling delayed.

E. Requests for repayment:

Audit was conducted in two stages:

First stage: repayment amount totaled \$71, 783.69

Second stage: repayment amount totaled \$5,578.41

Total amount of repayment requested: \$77, 162.10

Final amount repayment requested (after submission of documentation):
216.31 (this amount is under appeal)

F. Ninety-four percent of the information requested in both stages of the audit were the same 5-6 billing codes. Could not pertinent information about our billing and coding be obtained from a much smaller, less disruptive audit?

G. The audit consumed 8 to 10 months work in our office in researching the patient visits, faxing the information, etc. for over 4,000 incidents of service.