

**STATEMENT OF  
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PRESIDENT  
OF  
ADVANCEMED CORPORATION, A DYNCORP COMPANY  
BEFORE THE  
HOUSE VETERANS' AFFAIRS COMMITTEE  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS**

Mr. Chairman and Members of the Subcommittee:

We thank you for inviting AdvanceMed Corporation to express its views on specific approaches the VA may want to consider in its financial management of third-party collections. I am accompanied today by Maria Caschetta, AdvanceMed's Senior Vice President. Our organization provides a wide range of coding services to hospitals and health systems nationwide, including Veterans Administration Medical Centers (VAMCs) and another contractor working for the Revenue Office at VA Headquarters. We are known for success in the Federal government with regard to starting up and managing high-risk, centralized programs, which call for large-scale production operations. These programs involve abstracting and coding clinical data, validating clinical diagnoses and procedures that are coded and billed by providers, medically reviewing coded services submitted on claims and their supporting medical record documentation, handling large quantities of medical records in secured facilities, and developing the infrastructure for working with medical facilities, peer review organizations, and payer organizations, including the electronic tracking systems that ensure accountability for medical record location and status of workload handled by AdvanceMed. These centralized programs consolidate highly skilled and specialized healthcare information and technology resources. They service the common needs of multiple, remote user organizations. They generate measures of the work performed through implementation of standardized internal quality assurance programs developed by AdvanceMed. One of these contracts calls for AdvanceMed to function as an independent review entity responsible for generating data that the government can use to evaluate system, contractor, and program performance. The following paragraphs provide more detail concerning AdvanceMed's insight into problems that the VA faces with respect to the coding industry, their unique requirements that the private sector does not face, and possible solutions for accomplishing the coding work needed to generate bills for third party reimbursement.

AdvanceMed Corporation is a wholly owned subsidiary of DynCorp, one of the largest employee-owned service companies in the nation, headquartered in Reston, VA. DynCorp is a leader in providing outsourcing and information technology solutions to Federal, State, and local government agencies. AdvanceMed employs over 1,100 healthcare information management and services delivery professionals; its clients span the private and public sectors -- principally hospitals, healthcare systems, managed care

plans, state agencies, other businesses, Department of Veterans Affairs (DVA), Department of Defense (DOD), Department of Health and Human Services (DHHS) Office of Inspector General (OIG) and Centers for Medicare and Medicaid Services (CMS) (formerly known as HCFA), and the Consumer Product Safety Commission (CPSC).

Most noteworthy for this testimony is AdvanceMed's experiences as direct services organization for over 50 hospitals and healthcare delivery systems, including Veterans Administration Medical Centers, and contractor for CMS' Clinical Data Abstraction Centers (CDACs) and Program Safeguard Contractor (PSC) task orders, principally the Comprehensive Error Rate Testing (CERT) Program.

For hospitals and health systems, AdvanceMed provides a wide range of coding and related auditing services on an outsourcing or staff-augmentation basis. Facilities are located in many states throughout the country; some require on-site support and others send work to AdvanceMed as part of a remote-coding solution. AdvanceMed provides individuals experienced in coding systems used by institutions for billing inpatient, outpatient surgery, outpatient clinic, and emergency department services. For VAMCs and VA special study efforts, AdvanceMed also provides professional fee coding of institutional episodes of care.

AdvanceMed's CDAC operations provide centralized services, principally to CMS and its 52 Medicare Peer Review Organizations. Primarily, these services include clinical data abstraction, admission necessity screening, DRG/coding validation, and support in developing and testing data collection tools and new coding systems, such as the ICD-10 procedure classification system. AdvanceMed develops and implements aggressive and comprehensive internal quality control programs and participates in external quality assurance activities led by CMS. It also develops and maintains electronic administrative workload reporting and tracking systems, and tests different approaches with respect to the storage and handling of medical records and data abstracted from them.

As CMS' CERT, AdvanceMed receives extracts of all claims processed by Medicare Contractors on a daily basis, draws samples for error rate testing, reviews the claims and their associated medical records to determine whether a payment error has been made and the underlying reasons for error. Expected outcomes include determination of national and sub national error rates for use in performance monitoring and improvement. In addition, this contract provides the government resources for special studies associated with Medicare payment and policy matters and provider billing and care delivery practices.

The models developed and implemented for the CDAC and CERT call for comprehensive, systematic, and standardized approaches that will support high-volume production operations utilizing highly skilled, high-demand resources. One serves to support remote users with specialized services, the other serves to provide the government with independent, objective processes and findings in support of external quality assurance and performance measurement requirements. Lessons-learned from

starting up and maintaining these programs gives insights into solutions that may help the VA face the challenge of getting records coded for subsequent billing and revenue collections.

A major problem facing the VA as it moves toward improving revenue collections is the shortage qualified, expert coders. The shortage is compounded by the following situations:

- (1) Coders tend to develop expertise in certain types of coding (e.g., ICD-9-CM versus CPT) but not necessarily all types of coding required for third-party reimbursement.
- (2) Many coders tend to work exclusively on certain types of records (e.g., inpatient versus outpatient clinic);
- (3) Coders tend to specialize in the types of coding required of the specific providers who employ them (e.g., hospital, other institutions, professional fee);
- (4) In the private sector, physicians and other independent practitioners depend on coding for obtaining revenues for services they deliver; therefore, coders they employ tend to specialize in the domains represented by their clinical specialty (e.g., radiology versus anesthesiology, versus multi-specialty);
- (5) The complexities and vagaries in medical documentation coupled with the diversity of coverage and reimbursement requirements by fiscal intermediaries, carriers, and government agencies makes it extremely challenging to qualify and educate individuals to provide quality coding functions; and
- (6) Low salaries offered by hospitals and government systems coupled with environmental issues result in an unstable coding workforce.

The situations listed above result in having to hire a number of personnel to cover the spectrum of coding requirements which the VA must perform in a market where qualified and experienced personnel may not be drawn to work directly for hospitals or health systems. Further, the VA has unique features and requirements that do not permit wholesale adoption of existing private sector strategies to accomplishing coding tasks, such as

- (1) Designation of conditions and treatments that are connected to military service disabilities and the exemption of treatment for service-connected conditions from third-party reimbursement;
- (2) VA physicians and other independent practitioners are salaried and because they do not receive professional fee reimbursement for each patient, are often not aware of the importance of proper coding or incentivized to perform the required documentation;
- (3) VA resident trainees enjoy the benefits of learning from unpaid or shared faculty from affiliates; however, this means that such attending physicians are not compensated by the VA for their services for specific patients;

- (4) VA is responsible for coding that drives both institutional and professional fee reimbursement; and
- (5) Certain VA facilities get professional support from other VA hospitals (e.g., through telemedicine approaches).

AdvanceMed believes that the Veterans Health Administration (VHA) may benefit from centralized approaches to handling (1) specialized coding functions required of V A Medical Centers in their efforts to bill for services eligible for third-party reimbursement, and (2) evaluation of services provided by centers that may be set up for this purpose. The following should be considered when establishing such resources:

- (1) Implement national or regional (e.g., at the Veterans Integrated Services Network (VISN) level or groupings of VISNs) contracts with companies expert in providing coding services and handling large-scale production operations in support of decentralized stakeholders.
- (2) Implement comprehensive record and administrative workload reporting & tracking systems to ensure proper accountability for medical records and workload at all times.
- (3) Implement specific standards and/or requirements for significant workload processes, production, timeliness of turnaround, quality, training programs, currency of work products, staff certifications and suitable waivers based on experience and demonstration of performance (e.g., through test results, etc).
- (4) Require ISO registration to be achieved by contractors within one year after implementation. This will give confidence to the VA that contractors managing and staffing large-scale coding operations have the required standards, systems, policies and procedures documented and in place for running and sustaining a successful, high-risk business operation.
- (5) Require implementing a comprehensive quality assurance program, which reports on metrics, corrective actions, etc.
- (6) Retain control within the VAMC health information management area for evaluation of the quality of coding provided by the centralized or regional contractors. Small samples could be drawn continuously or on a schedule, qualified hospital personnel could verify the coding done in the sample, where there are disagreements, discuss them with the coding contractor, come to consensus, determine error rate and related findings for corrective action.
- (7) If VAMC Health Information Management (HIM) personnel are not available to do the quality evaluation of records coded for their facility, then allow them to contract to a centralized resource for independent quality evaluation, or accept findings of the coding contractor's Internal Quality Control program coupled with feedback from billing personnel on claims rejections due to coding problems.
- (8) Prioritize use of centralized coding resources -- first for work subject to third-party collections then for all other coding work as needed by VAMCs to keep workload current.
- (9) Establish a system where initially records are printed (for electronic sources) and copied (for hardcopy sources), packaged using a standardized approach,

and sent by mail to the contractor for coding. Consider implementing on-line access to records at VAMCs where they are completely electronic, provided that (1) the system works efficiently, i.e., no or little down time, no or little response delay, easy to access all components required for coding, (2) security within the system can withstand latest HIPAA requirements as interpreted and adopted by the VA, and (3) entry of codes and use of required encoders can be accomplished efficiently.

- (10) Require the coding contractor to document and report back on items that cannot be coded due to documentation problems or can be coded but should not be billed due to specific deficits.

### **CLOSING**

AdvanceMed appreciates the Subcommittee's invitation for us to testify today. Our objective has been to offer possible solutions for the VA to consider in their financial management of third-party collections, in particular with respect to requirements it has for coding clinical conditions and treatments. AdvanceMed values the work it is doing for VHA with regard to professional fee coding, providing staff augmentation services to help reduce backlogs and maintain current workload, and providing specialized coding resources and health information management consultation to another VA contractor in support of a special study involving revenue collections. We believe that the VA would benefit from (1) adopting a centralized or regionalized model that provides a systemic, standardized, and consistent resource of highly specialized technical coding services, and (2) retains VAMC control over assessing the quality of that resource as part of a systematic process that produces valid and reproducible performance metrics.