

Payor audits on the rise. How private practices can get ready.

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Claims processing and payments from health insurers should flow easily under negotiated contracts, but that isn't always the case. Payment and claims audits are more common than ever and physician private practices should know what to anticipate, according to experts from one of the nation's preeminent health care law firms.

Ross Burris and Sean Timmons of the Polsinelli law firm offered their expert advice and detailed the trends in payor audits and disputes in the first of a two-part AMA webinar. You can watch part two for even more audit-response strategies.

Medicare's auditing process

The Centers for Medicare & Medicaid Services has introduced an audit process called Targeted Probe and Educate that was designed to help health care claimants reduce denials and appeals and improve their administrative process.

But the process hasn't lived up to its goals, Burris said. The new system ties physicians and their practices to Medicare Administrative Contractors (MACs) who are tasked with helping claimants identify and correct errors.

"We are seeing them a lot, especially for physicians. It sounds really nice," Burris said. But the process is onerous, requiring a lot of time to prepare supporting documents for MAC review, which can then lead to broader and more complicated audits. The Polsinelli lawyers said the audits can take up to two years to resolve and they have seen a recent increase in these types of audits. Learn more with the AMA about the MAC review process.

Commercial payor audits, meanwhile, can be even harder to navigate. Many contracts have not been updated in years, and commercial audits are based on contracts with unique opportunities for denial,

rate changes and termination, Burriss said.

Payors may request itemized bills and medical records before payment and as a result, “we are seeing a lot of claims being held up,” he said.

Contract termination is a capital punishment outcome for audits, and physicians should know that terminations can come at almost any point in an audit or negotiation, the Polsinelli experts said.

The AMA Payor Audit Checklist (PDF) helps practices respond effectively to payor records requests while minimizing the administrative burden associated with responding to such requests. A thorough and timely response could reduce the likelihood that a practice will have to return money to the payor, pay a penalty or lose access to the plan’s beneficiaries.

Mining data to ID “outliers”

Payors are getting more aggressive in terminating physicians and practices that they identify as “outliers” by using data-mining and claims analysis to identify physicians that deem to be performing and billing for procedures outside of what they see as normal in their coverage regions, the lawyers from Polsinelli said.

“We had a case last year when a client had a pretty favorable rate they had negotiated, and [the insurer] came in and decided that day they wanted to amend the contract and change the rate,” Burriss said.

When the physician practice reminded the insurer that a change was not within the period allowed for rate changes, the payor announced it would terminate the contract completely—which was allowed by the contract.

Payors often make little or no effort to understand the reason for the billings that led to the audit. Physician practices should be mindful that termination can happen without warning, leaving their doctors out of network, the Polsinelli experts said.

“It’s a draconian tactic, but it happens from time to time,” Burriss said.

State insurance regulators may have the power to intercede in insurance company behaviors such as contracts and audits, but are unlikely to do so because they are more “interested in protecting beneficiaries,” Timmons said. “It is difficult to get their attention.” That leaves insurers with a lot more options to pressure physician practices.



It takes astute clinical judgment as well as a commitment to collaboration and solving challenging problems to succeed in independent settings that are often fluid, and the AMA offers the resources and support physicians need to both start and sustain success in private practice.

As physicians strive to continue to provide care to patients and maintain their practices during the ongoing COVID-19 pandemic, the AMA is providing an updated guide to help doctors to keep their practices open. Find out more about the AMA Private Practice Physicians Section, which seeks to preserve the freedom, independence and integrity of private practice.