

# Coding Risks Inherent in Productivity-Based Compensation Plans

In today's healthcare environment, accurate coding is more important than ever. Hospital employment of physicians and the resulting compensation plans have heightened the need for accurate coding.

Many compensation plans commonly used by hospitals and health systems rely on work relative value units (WRVUs) or professional collections, which can both be overstated if emphasis and oversight placed on accurate coding practices are inadequate. In this article, we will discuss two key ways that inaccurate coding can lead to a physician receiving inflated WRVU credit and/or collections for professional services, thus causing an overpayment in physician compensation and a compliance concern for hospitals and health systems.

## E/M Coding Concerns

The first area of concern relates to evaluation and management (E/M) codes. The Centers for Medicare and Medicaid Services (CMS) have documentation guidelines for every E/M code that require physicians to document elements of the patient's history, level of medical decision making, and time spent with each patient to justify billing various levels of E/M codes. Determining the appropriate E/M code relies heavily on a physician's judgment. Assigning a code lower than justified by documentation results in lost revenue, and conversely, assigning a code higher than the documentation justifies results in over-coding and an overpayment of physician compensation and could result in an increased audit risk.

The increased use of electronic medical records (EMR) over the last decade has caused some new concerns within the area of E/M coding. Some believe the use of an EMR to assist with documentation and coding will increase the coding accuracy; however, this is not necessarily the case. Over-reliance on an EMR coding template or computer-assisted coding software can lead

to inaccuracies. EMRs make it easier to "clone" notes from other records and choose incorrect responses from drop-down menus and point-click fields. While EMRs can be a useful tool to assist with documentation and coding, careful attention must be paid to each unique record to ensure the coding is accurate and the documentation is supportive of actual services performed.

To help monitor if employed physicians are practicing appropriate coding habits, one available tool is an E/M bell curve analysis. This is a high-level analysis that allows an employer at risk for a physician's coding to compare coding patterns to that physician's peers in the same specialty, and to determine where there might be a risk. CMS maintains an annual database of all Part B services for fee-for-service claims that make this type of profiling available. While having such a benchmarking tool is helpful, it is important to keep in mind that coding should be based on reasonable and necessary medical services, and appropriate documentation must support the actual billed code. If an unusual coding pattern is identified, a review of individual records and the corresponding documentation is necessary to determine if the coding is appropriate.

## Modifiers

The second coding issue that can cause concern under productivity-based compensation plans is the use, or lack of use, of Current Procedural Terminology (CPT) modifiers. CPT modifiers provide additional information about a procedure and, in many cases, affect the reimbursement. Examples of modifiers include those for



multiple procedures or surgical assists. Hospitals and health systems that employ physicians need to ensure that modifiers are being appropriately captured and considered in the calculation of WRVUs.

If modifiers are not accurately assigned within the billing system it can lead to higher WRVU credit and/or collections, and therefore increased physician compensation. In some cases, the payor may adjust the reimbursement if it determines a modifier should have been used, but the corresponding correction is not made in the billing system. This can contribute to the physician practice net losses being reported by many hospitals and health systems because, in some cases, physician compensation specific to services that should have been reduced by the use of modifiers may actually exceed the realized reimbursement for services.

### Conclusion

Accurate coding supported by appropriate documentation is important for multiple reasons. Employment of physicians and the impact of coding within physician compensation plans is only one reason providers and their employers should pay careful attention to coding practices. Routine chart audits and compliance reviews should be performed to ensure coding risks are minimized and resulting physician compensation is accurately calculated and paid.

This article is part of a series that delves into the economic, compliance and relationship issues that are relevant in hospital physician relationships. To view past articles, [click here](#).

For questions or additional information on how you might benefit from our healthcare consulting services, please contact:



**Dave Thompson**  
Managing Director  
[dthompson@cbiz.com](mailto:dthompson@cbiz.com)  
816.945.5520



**Kevin Walker**  
Managing Director  
[kwalker@cbiz.com](mailto:kwalker@cbiz.com)  
816.945.5598



**Ashley Graver**  
Senior Manager  
[agraver@cbiz.com](mailto:agraver@cbiz.com)  
816.945.5590



**Lindsay McCart**  
Manager  
[lmccart@cbiz.com](mailto:lmccart@cbiz.com)  
816.945.5458

