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BITS & BITES from Capitol Hill

SAGE SAFEGUARDS RESIDENTS FROM INAPPROPRIATE DRUG USE

by Herbert P. Weiss, NHA

An ongoing quality assurance (QA) auditing program at Sage allows the nursing home chain to effectively safeguard its residents from the problems of unnecessary drugs and to

prevent serious consequences resulting from drug interactions. This QA program's importance was magnified late last year when the federal Health and Human Services (HHS) Office of the Inspector General released a controversial report critical of prescription drug use in the nation's nursing homes (see page 4).

The auditing program of this Evansville, Indiana-based nursing home chain has successfully rooted out pharmacy errors, noted Janet Ryder, RN, Sage's Director of Clinical Services. She told *The Brown Bag* that Sage's ongoing QA program is based strictly on the federal regulations governing the handling of pharmaceuticals. The program:

- assesses the appropriateness of chemical restraints;
- reviews the management of antipsychotic medications;
- reviews the medication administration process; and
- conducts assessments for the self-administration of drugs.

Ms. Ryder explained that, "Each facility employs a pharmacy consultant who reviews the residents' drug regimens every month." She noted that this ongoing effort identifies problems

SUCCESS STORIES

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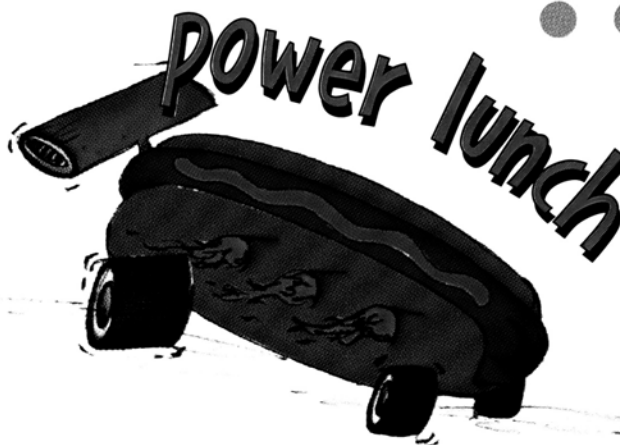
clutter from the building. As the corridors and resident rooms were cleaned and painted, as tiles were replaced, and as curtains were laundered or replaced, the facility began to take on a new look – and even smell better.

The survey findings revealed that immediate attention needed to be given to nursing, social services and dietary. It became apparent that staff in these departments lacked an understanding of Sage's Operational Policies and Procedures, and that this problem resulted in the failure to comply. When clinical staff discovered that Sage was serious about implementing its protocols in this facility, and when this discovery was combined with positive clinical outcomes (e.g., a decrease in decubiti rates), these staff members recognized the value of Sage's initiatives. More importantly, the Texas Department of Health surveyors saw the dramatic positive changes, and the facility was taken off "fast track" decertification.

Sage's successful strategy for getting staff to focus, to recognize the urgency for changes and to respond quickly to the deficiencies helped save the facility, and renewed the trust of residents, staff and the community.

The following year the facility had a deficiency-free survey. It now serves in a preceptor role with its sister facilities and continually generates new ideas that benefit all Sage centers. ☞

Lynden R. Heiman, N.H.A., M.A., is a Regional Manager for Sage.



SEVEN PRINCIPLES FOR ENSURING A SUCCESSFUL INDEPENDENT AUDIT

by David Gunn, CPA

Regardless of why you need to have an audit performed (e.g., whether it's for a bank, your corporate owners, or for regulators), good communication and planning are essential to conducting an audit successfully. Here are seven additional principles that will make your audit a more positive experience and will save you money.

1. Structure Your Audit Team Properly.

At your company, the controller or accounting manager typically leads the audit team; the partner, manager or "in-charge" auditor of the accounting firm leads the auditors.

GUESTS BRING EXPERT OPINIONS TO THE BROWN BAG

2. The Audit Process is a Continuous One.

Don't expect a successful audit to last a day or even a week. The oversight process is continuous as well. A team overseeing the audit usually meets quarterly to discuss major financial transactions that have taken place.

3. Gathering Evidence is Crucial.

The outside auditor must collect a certain amount of audit evidence to be able to express an opinion about the financial statements. You know your financial systems better than anyone. Therefore, by meeting with your auditor to discuss major audit areas, you can help find more

such as the use of unnecessary drugs, incorrectly transcribed orders, the lack of adequate monitoring and inappropriately prescribed drugs. Although the pharmacist also reviews documentation for accuracy, Sage nurses ultimately are responsible for correcting the findings, Ms. Ryder said.

Ms. Ryder added, "We expect our nursing homes to maintain a pharmacy committee for the purpose of evaluating the program. Included on these committees would be the consulting pharmacist, the director of nursing, and a social worker, as well as the administrator. This structure allows the pharmacist to share concerns and problem-solve with facility staff," she noted.

"Sage facilities conduct ongoing drug-reduction efforts particularly related to the use of antipsychotic, antianxiety and hypnotic medications," Ms. Ryder pointed out. She added that nurses, pharmacists and physicians work together to attain the goal of using the least amount of medication needed to achieve comfort, behavior management and the highest quality of life for Sage residents. 🐾

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effective ways of gathering information, thus lowering audit costs. For example, suppose that an auditor wants to determine the reasonableness of your recorded income for private patients. Rather than have an auditor review a large number of billing records to determine income, you instead should provide needed payer information so that the auditor can develop a way to calculate total income by the payment source. In determining total private pay income, the auditor can multiply the daily rate by the number of patient days. Any differences can be generally reconciled without great difficulty. An auditor can verify government programs (e.g., Medicare and Medicaid) by examining letters from these agencies that verify reimbursement rates, then applying these rates to the number of patient days.

4. Preparing Schedules to Document Findings.

The audit firm should be auditing your books, not preparing schedules and providing accounting assistance (unless you need it). An auditing firm frequently prepares schedules to document its findings. A typical schedule might list your debt schedule, where you show beginning debt, principal and interest payments and ending debt. You should be preparing this schedule, but in many cases, the audit firm prepares the schedule

THE MEAT OF HEALTHCARE LENDING

no baloney!



from
SAGE President
JOAN DUGAN

CONSULTANTS: WHEN AND HOW TO USE THEM

Have you ever felt the pang of not possessing a particular expertise needed to evaluate a special lending situation? Occasionally become overwhelmed with the due diligence required for a large transaction but recognize that additional staffing will not be needed on a long-term basis? Had a potentially troubled loan and wanted an expert opinion of the severity of the problem? There are plenty of times in every executive's work life when he or she wistfully thinks of getting some outside help on a puzzling or time-consuming issue. A consultant may be the answer. In health care



at rates higher than your internal rates. What schedules is the audit firm preparing that you and your staff can prepare? You might be able to find an accountant who is looking for part-time work and thus can help prepare schedules at a fee comparable to (or less than) your internal rates.

5. Keep Audit Budgets Realistic.

Most audit firms maintain audit budgets, which estimate the number of hours required to perform work in a given audit area. For example, five hours might be needed to prepare the financial statements. Auditors work hard to stay within the budget and are evaluated by how well they stay on track. Even if you prepare the financial

statements, the most common reasons for consultation are: due diligence when funding an acquisition, routine covenant compliance audits and independent consultation for underperforming assets.

Consultants are only as valuable as the information they produce. The **WHO, WHAT** and **HOW** of a consultant engagement can seriously effect the consultant's ability to generate sound information.

WHO?

First and foremost, specialized consultants are most appropriate for speciality loans. An industry professional will produce comparable statistics and industry norms much more quickly, and therefore more economically. There is no learning curve needed, and especially in health care, regulation and reimbursement will be second nature. Even with a specialty firm, it should be realized that very few firms or individuals do everything well. References from others who have used the firm are especially helpful to ascertain that the type of help you need is the type of help the consultant offers. Feel free to ask, not just for the firm's marketing literature, but for a sample, or excerpts from, a consulting report they have done in a situation similar to yours. Teams of consultants with varied expertise, such as accountants, nurses and reimbursement specialists, will also produce a more well-rounded report than any individual working independently. Lastly, if the consulting firm has a set price for the kind of consultation you need, the likelihood is that they have done this type of job often enough to have developed expertise. Hourly consultants may or may not have the depth of experience necessary for your particular situation.

WHAT?

The scope of the engagement should be reviewed for reasonableness. For example, if

statements, the auditors will still have to review them. By understanding what goals the audit team needs to accomplish, you can provide not only the needed information, but can furnish quicker methods of achieving the goals. But be realistic. When you are finished reviewing the budget with the auditors, the process then becomes mutual, with both parties responsible for the results.

6. Understand The Billing Process and Be Certain to Discuss Fees.

Make sure you clearly understand up-front how the audit fee is calculated and how it will be