

## Will Your Health Plan Turn Up Sick Under Sarbanes-Oxley?

A special contribution by George Aldhizer, III, PhD, CPA, CIA, CDE

**WAYNE, PA** – Of all the places to watch for compliance concerns under Sarbanes-Oxley, the company health plan may be one of the last you'd expect. But if you're self-insured (like most big firms today) you need to include a careful review of the health plan in your "Sarbox" strategy, says William Conlan, president and CEO of Healthcare Data Management, Inc., Wayne PA. The 11-year-old company ([www.HealthAudit.com](http://www.HealthAudit.com)) specializes in health plan auditing and cost containment services. Where do health plans fit under Sarbox? In Section 404 – the requirement for companies to certify that they have established, maintained and annually assess the effectiveness of internal controls, according to Conlan. To understand the dimensions of the issue, he suggests asking yourself what controls are required for your company to issue a check for \$10,000. Then ask what controls are in place on the health plan administrator who issues checks for that amount and often much more – on your account – every week (and whose compensation is a percentage of claims paid). Ordinary audit tests can assure you that claims you pay for care accurately reflect what the health care provider billed. But those tests cannot show with any degree of assurance:

- Whether the claim was paid for an eligible employee
- Whether the increasing volume and amount of pharmacy claims are proper in all respects
- Whether all contractually required discounts were applied
- Whether the service was appropriate for the patient's actual condition whether the claim should properly have been paid by a different plan (spouse, Workers Comp, Medicare, etc.)
- Whether there have been inadvertent errors in an attempt to meet processing productivity requirements or a host of other possible problems.

Examinations of these and other issues have revealed discrepancies (and generated rebates) in the millions of dollars for HDM clients, demonstrating a clear risk in certifying standard controls as adequate in the health plan arena.

"Addition of the Sarbanes-Oxley certification requirement adds a legal overlay to what should be a prudent financial decision to review self-insured employee health plans on a regular basis," says Conlan. "Saving or recouping even a small portion of health care costs can amount to a material number.

### About George Aldhizer

George Aldhizer, III, PhD, CPA, CIA, CDE is an associate professor and PricewaterhouseCoppers faculty fellow in the Calloway School of Business and Accountancy at Wake Forest University in Winston-Salem, NC. He has published extensively in many of the top accounting journals, including many articles related to the field of internal auditing, and has presented numerous lectures at both academic and practitioner conferences across the country. He was received numerous awards and honors and is widely-recognized as one of the top academic experts in accounting and auditing. On occurrence, he contributes to HDM.

### About HDM

Founded in 1992, Healthcare Data Management, Inc. (HDM) is the leading independent provider of fully-integrated benefits analysis and financial reporting solutions specifically designed to reduce cost, manage risk and comply with Sarbanes-Oxley requirements. Our proven technology of sophisticated auditing solutions, paired with our cutting-edge data mining, provide immediate savings to many of America's leading employer groups and helps self-insured employers to reduce the cost and risk of paying medical and pharmacy claims through auditing and data management services while we provide a partnership in healthcare expense management. To learn more, call 610-491-9800 or visit [www.HDMinc.com](http://www.HDMinc.com).