

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE HOUSE BILL 1314**

Chapter 242, Laws of 2017

65th Legislature  
2017 Regular Session

HEALTH CARE AUTHORITY AUDITING PRACTICES

EFFECTIVE DATE: 7/23/2017

Passed by the House April 17, 2017  
Yeas 98 Nays 0

FRANK CHOPP

**Speaker of the House of Representatives**

Passed by the Senate April 11, 2017  
Yeas 49 Nays 0

CYRUS HABIB

**President of the Senate**

Approved May 8, 2017 11:10 AM

JAY INSLEE

**Governor of the State of Washington**

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SUBSTITUTE HOUSE BILL 1314** as passed by House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

**Chief Clerk**

FILED

May 8, 2017

**Secretary of State  
State of Washington**

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**SUBSTITUTE HOUSE BILL 1314**

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AS AMENDED BY THE SENATE

Passed Legislature - 2017 Regular Session

**State of Washington                      65th Legislature                      2017 Regular Session**

**By** House Health Care & Wellness (originally sponsored by Representatives Caldier, Jinkins, DeBolt, Cody, Rodne, Griffey, Harris, Haler, and Appleton)

READ FIRST TIME 02/17/17.

1            AN ACT Relating to health care authority auditing practices; and  
2 adding a new section to chapter 74.09 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            NEW SECTION.    **Sec. 1.**    A new section is added to chapter 74.09  
5 RCW to read as follows:

6            (1) Audits of the records of health care providers performed  
7 under this chapter are subject to the following:

8            (a) The authority must provide at least thirty calendar days'  
9 notice before scheduling any on-site audit, unless there is evidence  
10 of danger to public health and safety or fraudulent activities;

11            (b) The authority must make a good faith effort to establish a  
12 mutually agreed upon time and date for the on-site audit;

13            (c) The authority must allow providers, at their request, to  
14 submit records requested as a result of an audit in electronic  
15 format, including compact disc, digital versatile disc, or other  
16 electronic formats deemed appropriate by the authority, or by  
17 facsimile transmission;

18            (d) The authority shall make reasonable efforts to avoid  
19 reviewing claims that are currently being audited by the authority,  
20 that have already been audited by the authority, or that are  
21 currently being audited by another governmental entity;

1 (e) A finding of overpayment to a provider in a program operated  
2 or administered by the authority may not be based on extrapolation  
3 unless there is a determination of sustained high level of payment  
4 error involving the provider or when documented educational  
5 intervention has failed to correct the level of payment error. Any  
6 finding that is based upon extrapolation, and the related sampling,  
7 must be established to be statistically fair and reasonable in order  
8 to be valid. The sampling methodology used must be validated by a  
9 statistician or person with equivalent experience as having a  
10 confidence level of ninety-five percent or greater;

11 (f) The authority must provide a detailed explanation in writing  
12 to a provider for any adverse determination that would result in  
13 partial or full recoupment of a payment to the provider. The written  
14 notification shall, at a minimum, include the following: (i) The  
15 reason for the adverse determination; (ii) the specific criteria on  
16 which the adverse determination was based; (iii) an explanation of  
17 the provider's appeal rights; and (iv) if applicable, the appropriate  
18 procedure to submit a claims adjustment in accordance with subsection  
19 (3) of this section;

20 (g) The authority may not recoup overpayments until all informal  
21 and formal appeals processes have been completed;

22 (h) The authority must offer a provider with an adverse  
23 determination the option of repaying the amount owed according to a  
24 negotiated repayment plan of up to twelve months;

25 (i) The authority must produce a preliminary report or draft  
26 audit findings within one hundred twenty days from the receipt of all  
27 requested information as identified in writing by the authority; and

28 (j) In the event that the authority seeks to recoup funds from a  
29 provider who is no longer a contractor with the medical assistance  
30 program, the authority must provide a description of the claim,  
31 including the patient name, date of service, and procedure. A  
32 provider is not required to obtain a court order to receive such  
33 information.

34 (2) Any contractor that conducts audits of the medical assistance  
35 program on behalf of the authority must comply with the requirements  
36 in this subsection and must:

37 (a) In any appeal by a health care provider, employ or contract  
38 with a medical or dental professional who practices within the same  
39 specialty, is board certified, and experienced in the treatment,

1 billing, and coding procedures used by the provider being audited to  
2 make findings and determinations;

3 (b) Compile, on an annual basis, metrics specified by the  
4 authority. The authority shall publish the metrics on its web site.  
5 The metrics must, at a minimum, include:

6 (i) The number and type of claims reviewed;

7 (ii) The number of records requested;

8 (iii) The number of overpayments and underpayments identified by  
9 the contractor;

10 (iv) The aggregate dollar amount associated with identified  
11 overpayments and underpayments;

12 (v) The duration of audits from initiation until time of  
13 completion;

14 (vi) The number of adverse determinations and the overturn rates  
15 of those determinations at each stage of the informal and formal  
16 appeal process;

17 (vii) The number of informal and formal appeals filed by  
18 providers categorized by disposition status;

19 (viii) The contractor's compensation structure and dollar amount  
20 of compensation; and

21 (ix) A copy of the authority's contract with the contractor.

22 (3) The authority shall develop and implement a procedure by  
23 which an improper payment identified by an audit may be resubmitted  
24 as a claims adjustment.

25 (4) The authority shall provide educational and training programs  
26 annually for providers. The training topics must include a summary of  
27 audit results, a description of common issues, problems and mistakes  
28 identified through audits and reviews, and opportunities for  
29 improvement.

Passed by the House April 17, 2017.

Passed by the Senate April 11, 2017.

Approved by the Governor May 8, 2017.

Filed in Office of Secretary of State May 8, 2017.

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