How to Mitigate Risks of Using AI in Coding in Value-Based Care

CMS & OIG Expectations Every MSO and ACO Should Understand

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Current VBC Landscape

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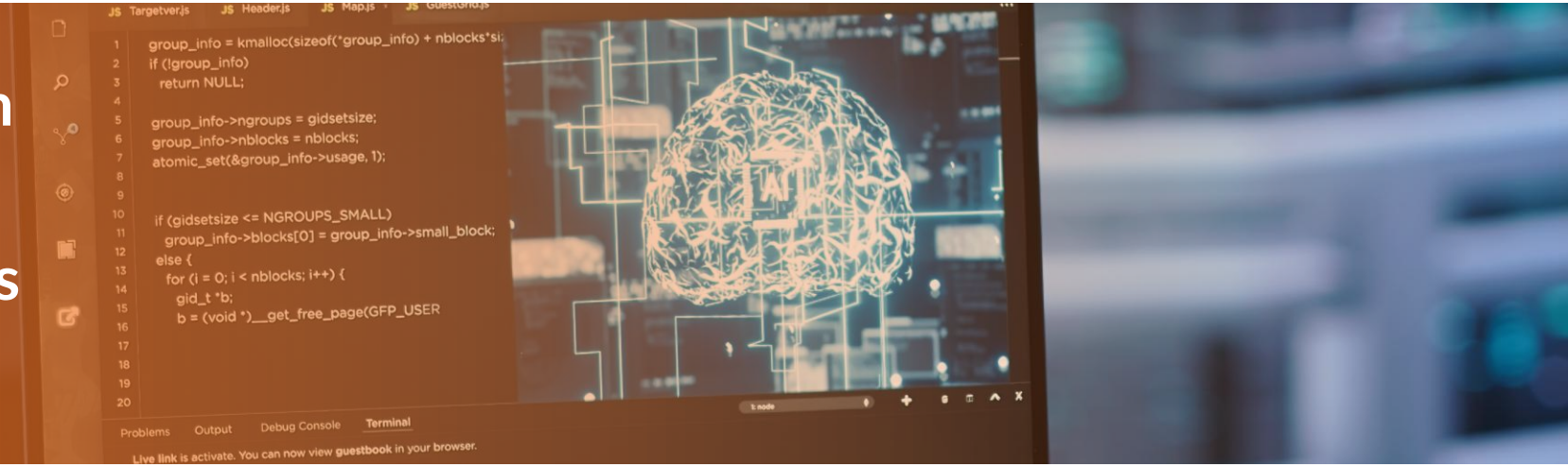
Growing pressure on health plans, ACOs, and MSOs to capture accurate risk scores amid staffing shortages.



The Financial Impact of the CMS-HCC V28 Transition

Aggressive RADV Audits and Extrapolation

The Crackdown on "Unlinked" Diagnoses

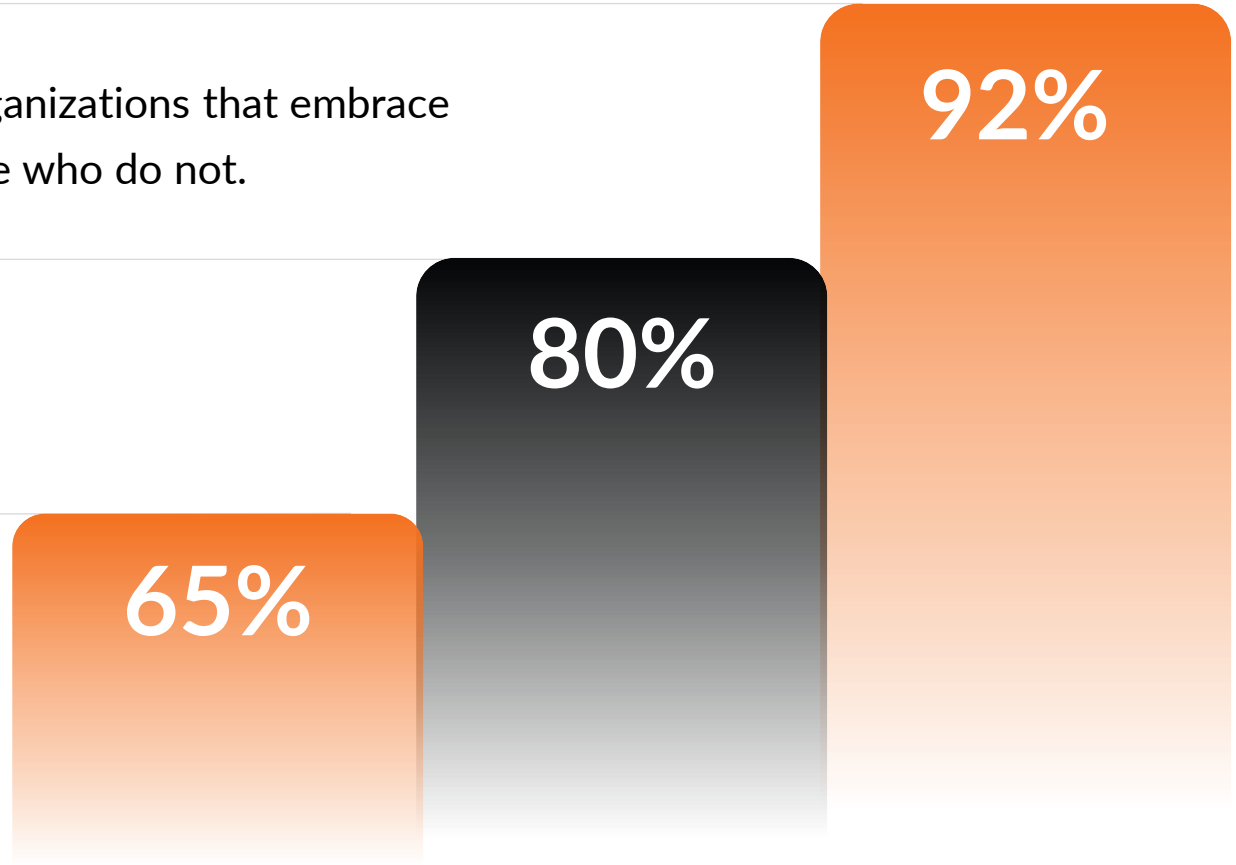
Provider Abrasion and Burnout

Statistics

92% of healthcare executives believe that organizations that embrace **AI will develop a competitive edge** over those who do not.

80% expect it to reduce **labor costs** through automation.

65% of US healthcare organizations say **AI is already redefining their operations.**



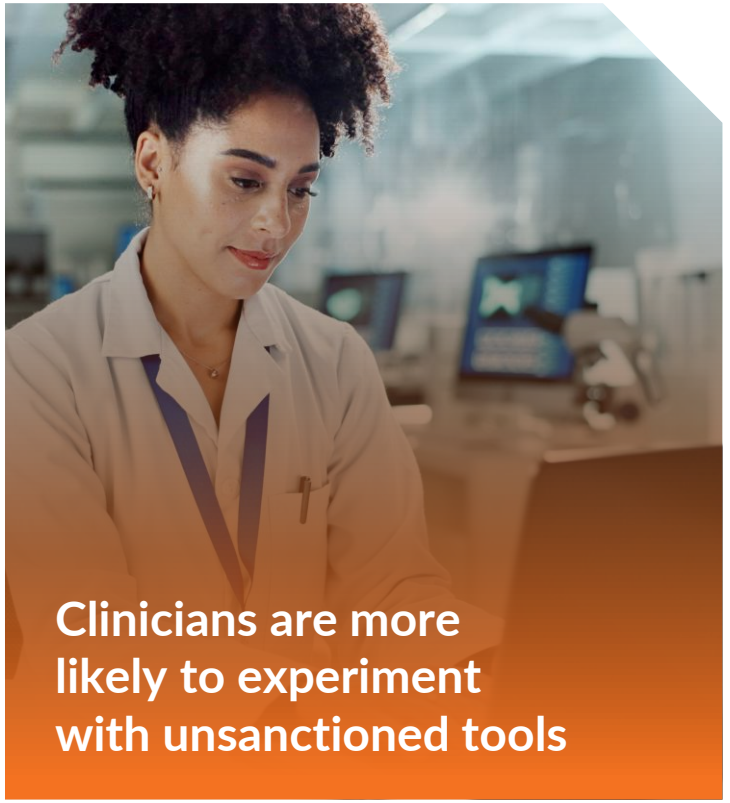
Shadow AI

57%

of healthcare professionals have encountered unauthorized AI tools in the workplace

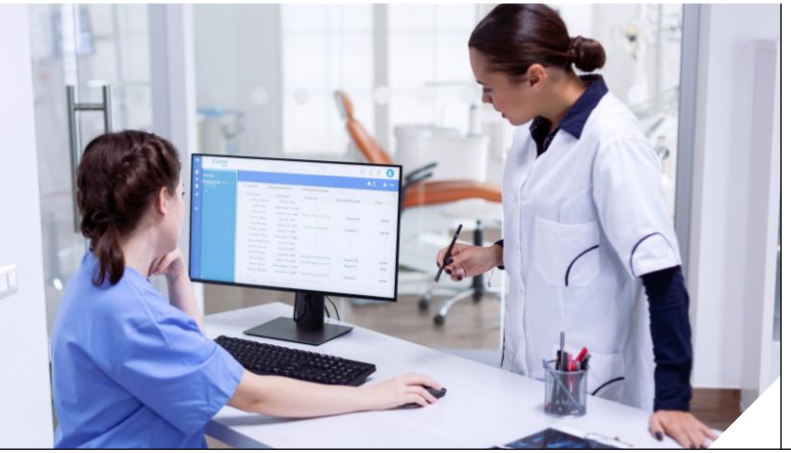
58%

of front-line health system staffers employed generic AI tools **(i.e., ChatGPT, Copilot, Gemini)** for work at least once in the last month, while **39%** used them AI weekly or more.



https://www.wolterskluwer.com/en/news/wolters-kluwer-survey-finds-broad-presence-of-unsanctioned-ai-tools-in-hospitals-and-health-systems

Retrospective & Concurrent Chart Auditing

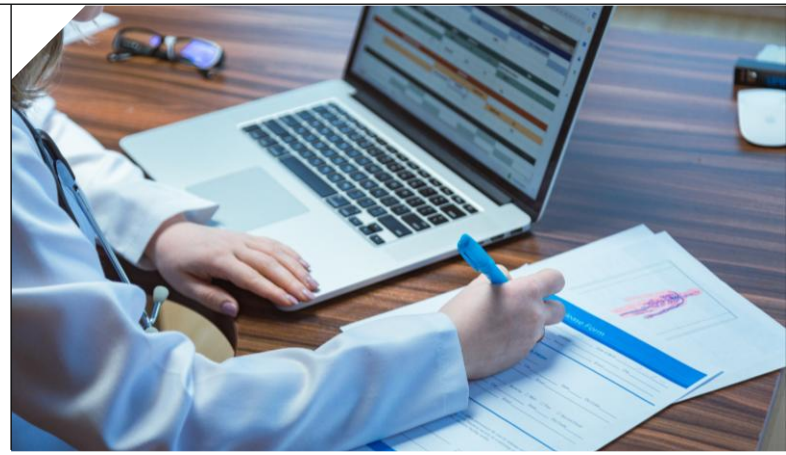


Retrospective Chart Auditing Application:

Machine learning algorithms can process millions of charts, assigning a "confidence score" to potential diagnoses. The AI pre-populates the suggested ICD-10-CM code and highlights the exact sentence in the medical record containing the MEAT (Monitor, Evaluate, Assess, Treat) criteria.

Concurrent Chart Application:

By analyzing historical claims, current lab values, and active medication lists, AI can surface "suspect" conditions or identify gaps in documentation (e.g., a missing linkage between diabetes and a complication) in real-time.



Why This Topic Matters

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01 AI is rapidly being integrated into coding workflows.

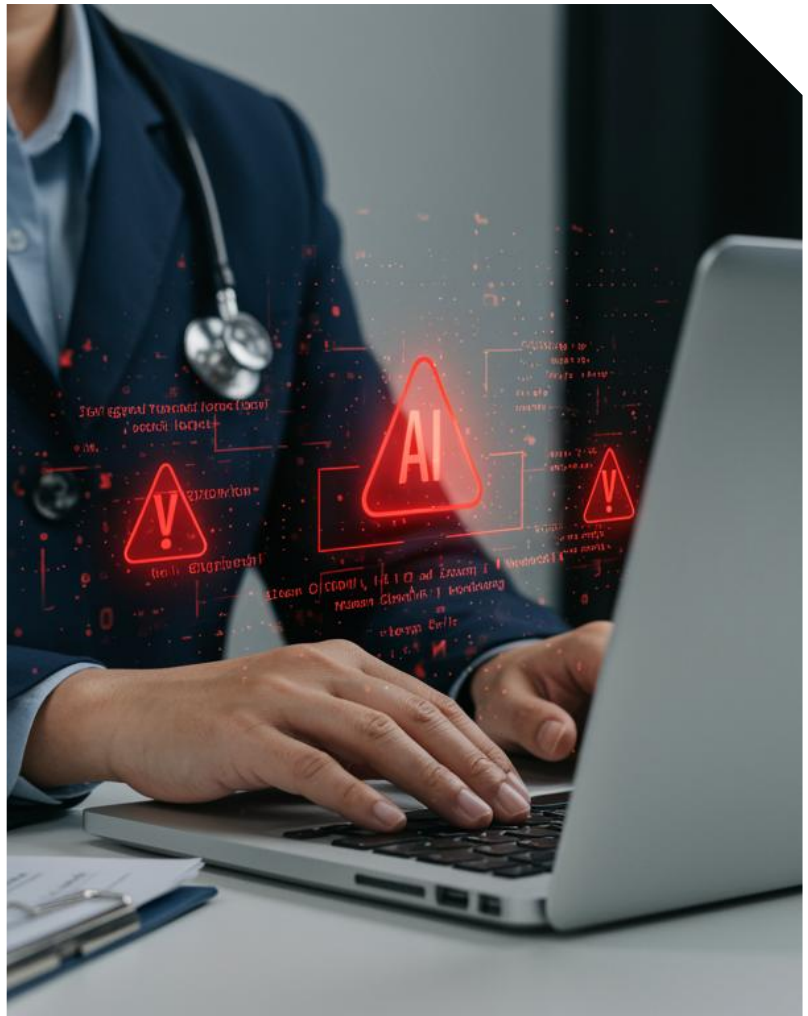
02 **In value-based care, coding does more than generate claims—it directly affects:**

- Risk scores
- Benchmarks
- Shared savings and losses
- Organizational performance

03 When AI is wrong or misused, the financial and regulatory consequences multiply.

Why AI Risk Is Amplified in Value-Based Care

Coding Errors Don’t Just Affect Claims — They Affect Contracts



In value-based care, coding directly impacts:

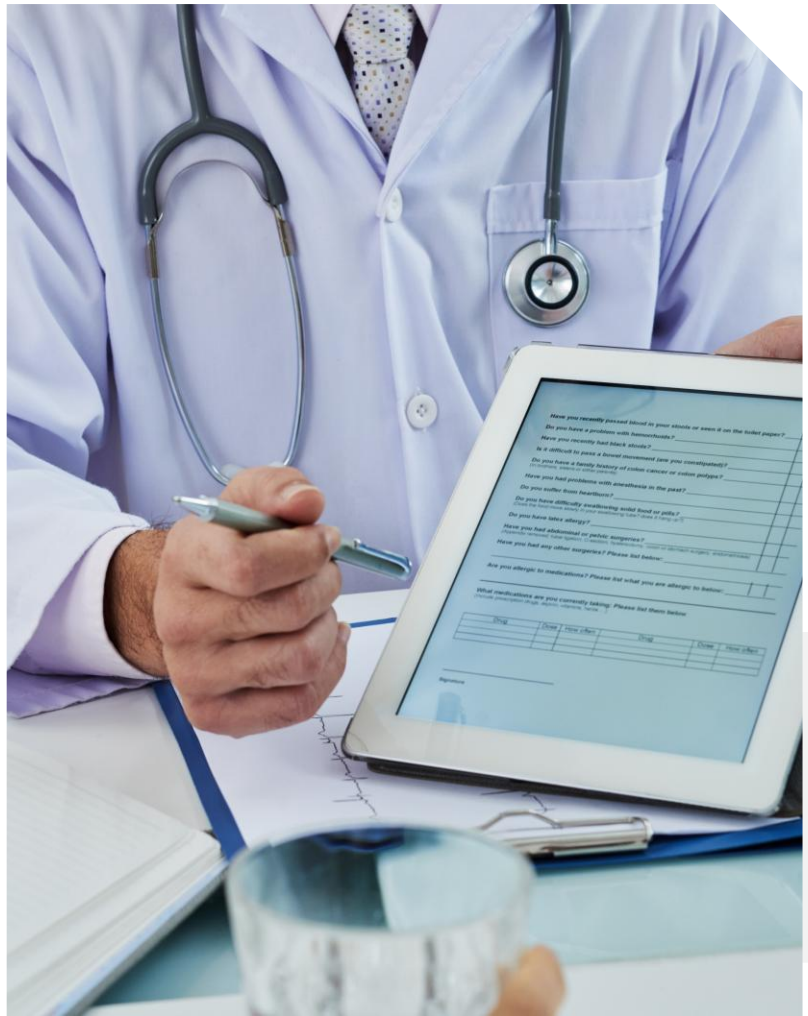
- Risk scores
- Benchmark calculations
- Shared savings / shared losses
- Care gaps

Unlike fee-for-service errors:

- Mistakes affect multiple performance years
- Errors influence population-level reimbursement
- Small documentation issues become large financial exposure

CMS's Core Rule (Foundational Principle)

"CMS does not pay for unsupported diagnoses."



CMS Risk Adjustment Guidance:

Diagnoses must be supported by medical record documentation demonstrating that the condition was:

- Monitored
- Assessed
- Evaluated
- Treated

During the service year.

Key takeaway:

- AI suggestions do not meet this requirement
- Documentation — not prediction — drives payment

Risk #1: AI-Driven Upcoding

When Suggestions Become Systemic Behavior

OIG Risk Area:

Billing for items or services that were not provided or were not medically necessary remains a key enforcement priority.

Example

- An AI system consistently suggests chronic kidney disease stage 4 based on historical labs.
- Providers accept the suggestion repeatedly without documenting assessment.

This creates:

- A pattern of higher-risk diagnoses
- Artificially inflated risk scores

Risk #1: AI-Driven Upcoding – Taking it Deeper

Fraud vs Abuse

Fraud

Intentional deception to obtain payment.

Abuse

Practices that result in improper payment without clear intent.

AI-driven patterns can look intentional during audits.

Risk #2: Documentation Inflation

More Text, Less Defensibility

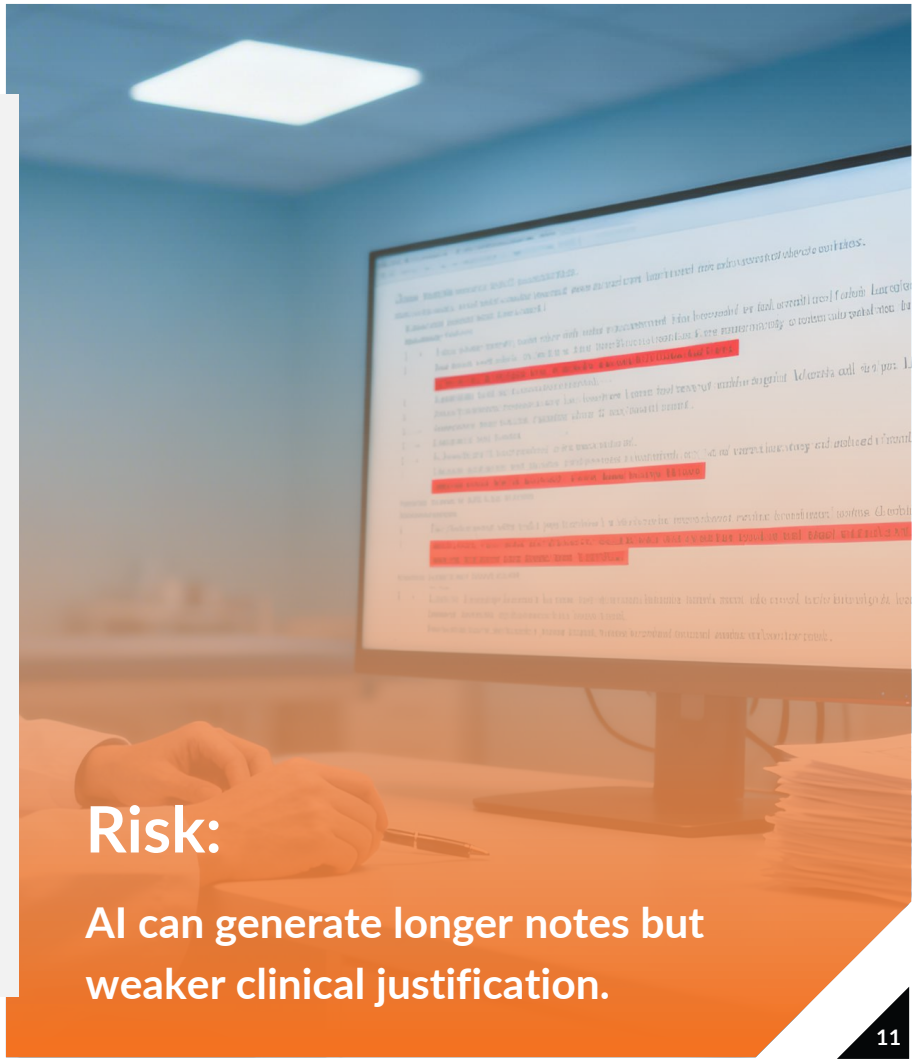
CMS Documentation Guidance

Medical records must support the level of service billed and be:

- Complete
- Legible
- Accurate

CMS does not reward:

- Redundant language
- Auto-generated narrative
- "Check-the-box" **MEAT documentation**



Risk #3: Risk Adjustment Overreach

Predictive Coding Is Not Retrospective Truth

CMS RADV Requirement:

Diagnoses submitted for risk adjustment must be supported by documentation from a face-to-face encounter.

Key Risk Areas:

- AI predictions ≠ clinical assessments
- Suggested conditions may never be evaluated
- Adding diagnoses without clinical assessment increases RADV audit exposure

Risk #4: Automation Bias

When Humans Stop Questioning the Output

OIG Compliance Principle:

Compliance programs must promote a culture of ethical decision-making.

Automation bias occurs when:

- Coders trust AI outputs automatically
- Providers assume suggestions are validated
- Staff stop applying professional judgment

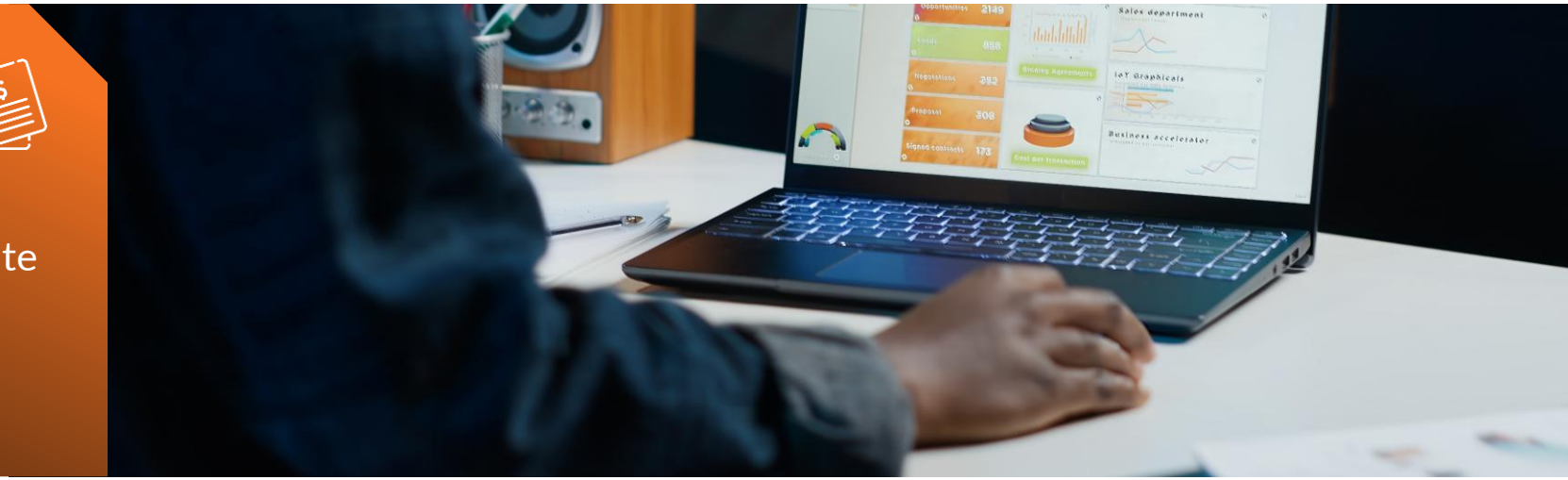
"The AI said so" is not a defensible compliance position.

Risk #5: Lack of Explainability

Black-Box AI Cannot Be Audited

OIG expectation:

Organizations must be able to demonstrate how billing decisions are made.



If you cannot explain:

- Why a diagnosis was captured
- How the code was selected
- What documentation supports it

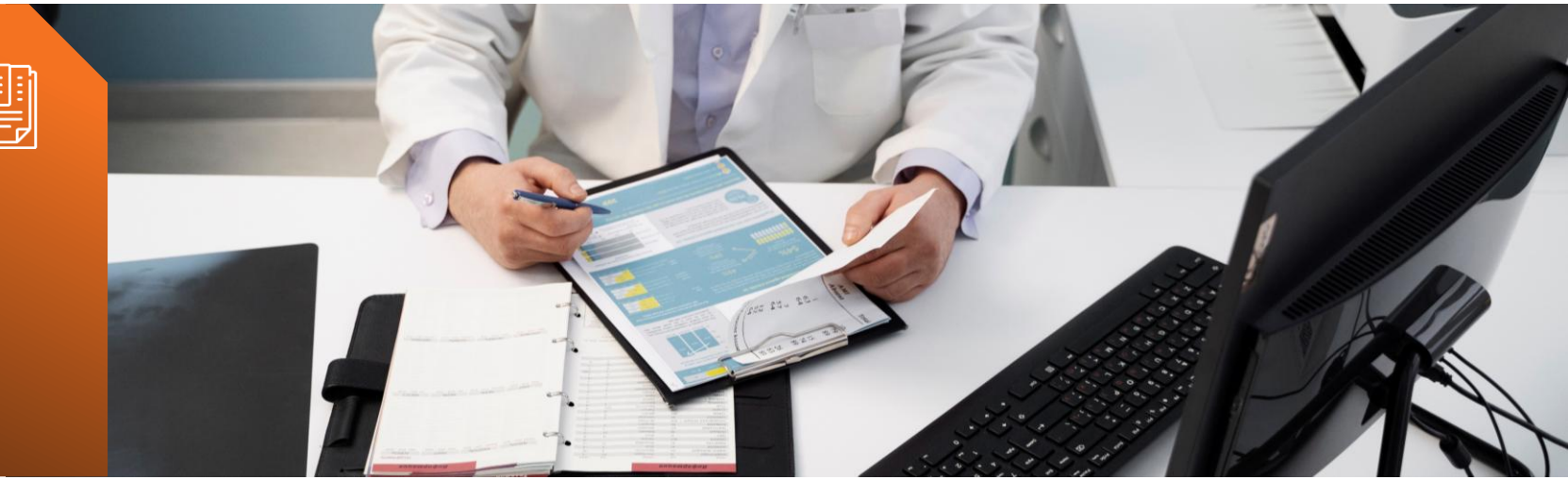
Then the diagnosis cannot be defended during an audit

Risk #7: Vendor Misalignment

Revenue Optimization ≠ Compliance

OIG Compliance Principle:

Reliance on vendors does not eliminate provider responsibility.



Important realities:

- CMS holds providers and ACOs accountable
- Vendor tools do not shift liability
- Financial incentives may differ from compliance priorities

Organizations must maintain oversight and governance.

What CMS & OIG Will Ask

Regulators will expect clear answers to:

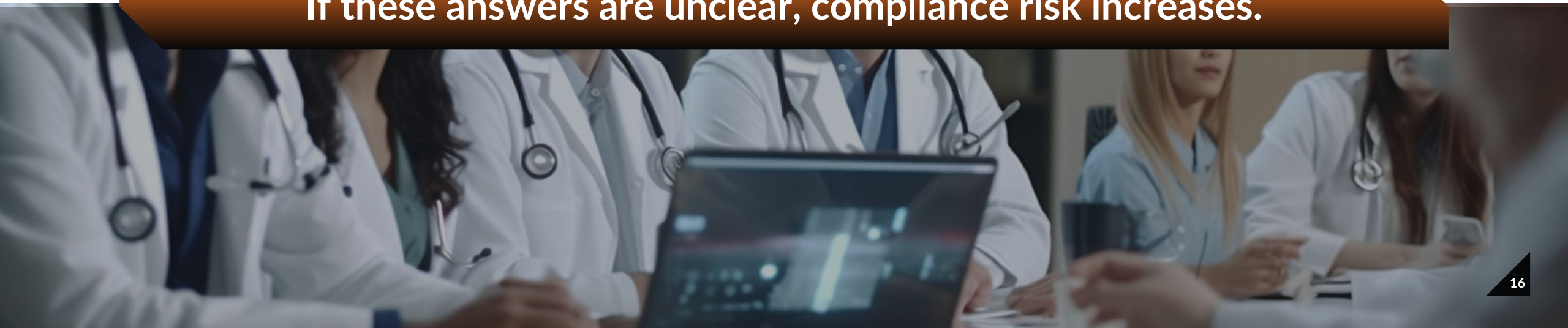
? Who validates AI output?

? How often are outputs audited?

? What training do coders receive?

? Can you demonstrate human judgment and intent?

If these answers are unclear, compliance risk increases.



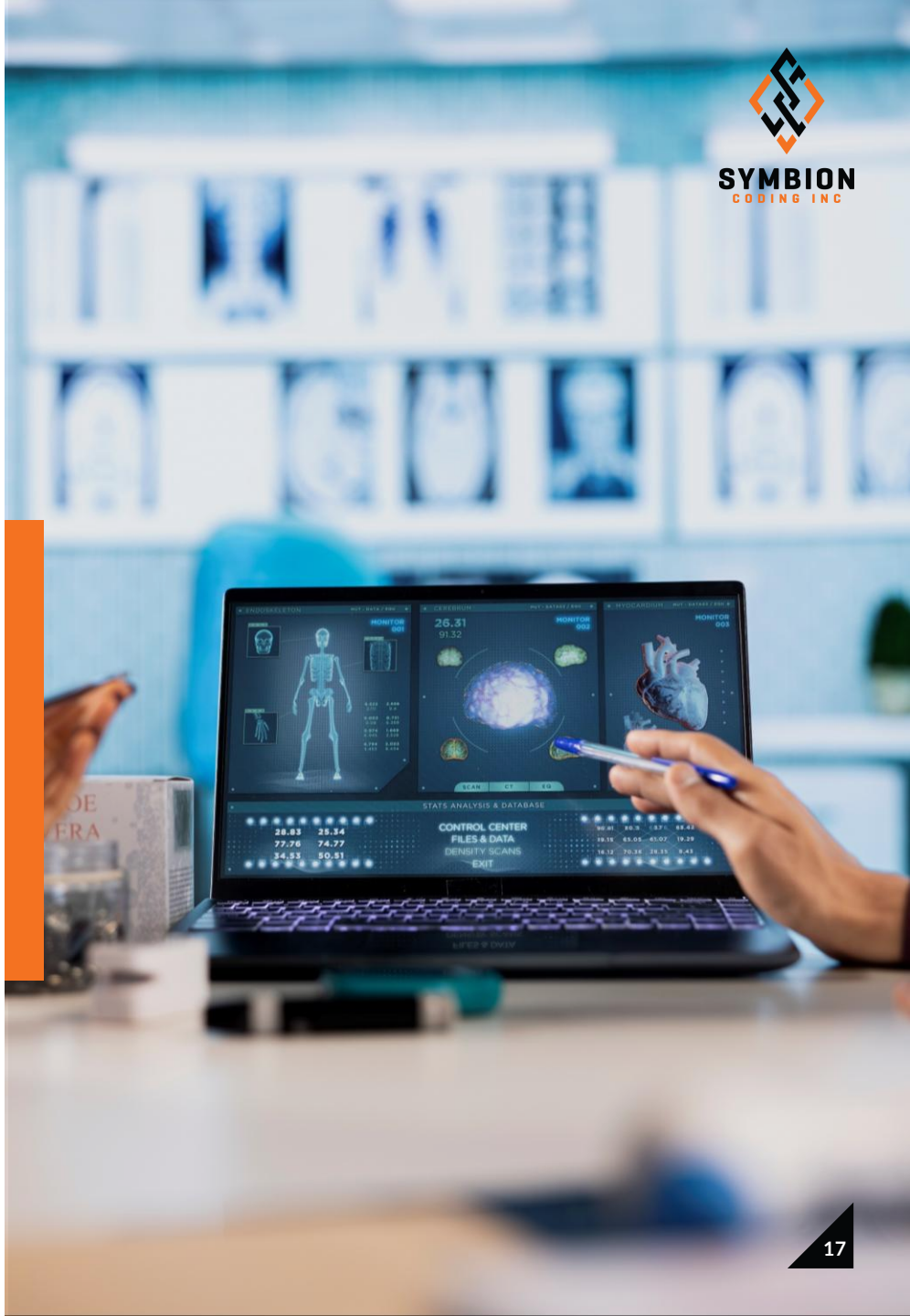
CMS-Aligned Guardrails for AI Use

Reducing Risk Without Rejecting AI

Best practices aligned with OIG expectations:

- Human-in-the-loop coding validation
- Written AI governance policy
- AI outputs included in routine coding audits
- Documentation standards remain unchanged

AI should assist workflows — not replace oversight.



The Evolving Role Of Coders

From Production to Protection

OIG Guidance:

Qualified personnel are essential to effective compliance.

01

The coder role is evolving into:

- Validators of AI output
- Risk identifiers
- Compliance partners

02

AI does not eliminate coders.

03

It increases their responsibility.

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Key Takeaways

1

AI Does Not Change the Rules — It Raises the Stakes

2

CMS pays only for supported diagnoses

OIG expects judgment and oversight

AI can magnify both strengths and weaknesses in coding programs

3

In value-based care, small documentation gaps create large financial risk.

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Artificial Intelligence

Considerations for Management

Part ii

01 General Comments

02 **Evaluating an AI vendor or program:** framework

03 Considerations for successful implementation

04 Personal experience with AI vendors

05 Q & A

Artificial, But Not Automatic

Have internal discussions with key stakeholders: Select the best team!

Define the use case and requirements

- Purpose
- Systems integration
- Data sensitivity
- Performance Goals

The vetting process for both the AI product and the Vendor are important for success

- Business and Vendor stability (check reputation and references)
- Funding and longevity
- Client and technical support

Core Competencies

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01

Technical Capabilities (IT/IS)

02

Data Privacy, Security, and Compliance (risk management)

03

Legal review and contractual review (regulatory guidance and negotiations)

Summary Checklist

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Category	Key Questions
Technical	How does it perform? Can it integrate and scale?
Data & Security	Is it compliant and secure with your data?
Ethical	Is it transparent, fair, and explainable?
Vendor	Are they reputable and stable?
Contractual	Do terms protect your data and IP?
Practical	Does it deliver measurable business value?

Program Implementation Considerations

Strategic & Business Alignment

Considerations:

- Alignment of AI use cases with business goals and strategy.
- Clear definition of success criteria (ROI, efficiency gains, customer satisfaction, etc.).
- Executive sponsorship and cross-functional buy-in.

Metrics:

- ROI or cost savings vs. investment.
- Time-to-value: how quickly AI delivers measurable benefits post-deployment.
- Adoption rate across business units.
- Business KPIs impacted (e.g., sales uplift, reduced churn, improved forecast accuracy).

Program implementation

Data Quality and Governance

Considerations:

- Data accessibility, availability, and consistency.
- Data governance policies: ownership, compliance, privacy, lineage, and stewardship.
- Scalability of data pipelines to support AI workloads.

Metrics:

- Data completeness and data freshness.
- Error rate or missing value rate in key datasets.
- Percentage of AI models trained on governed/approved data sources.
- Model retrain frequency and data drift detection rate.

Performance, Efficiency, Reliability- Considerations

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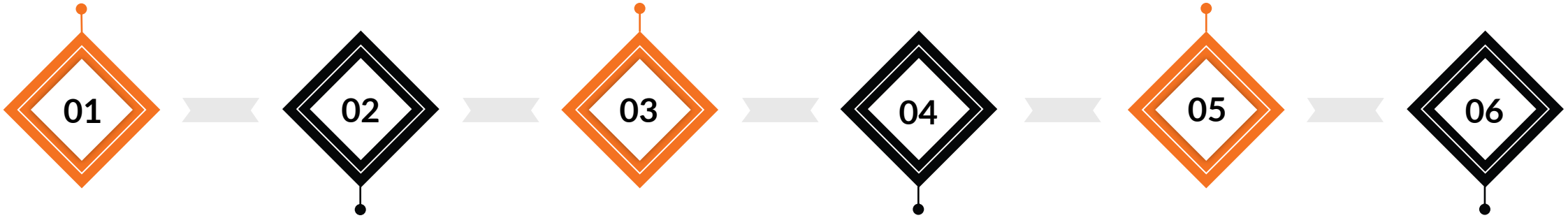
Robustness, accuracy, explainability, and fairness of AI models.

Monitoring model degradation over time.

Scalability and modular architecture of the AI platform.



Effective model lifecycle management (MLOps)*.
Improved efficiency, enhanced quality, better compliance

Automation across the model lifecycle (training, validation, deployment, monitoring).

CI/CD practices for model updates and version control.

***Model Lifecycle Management (What Is the AI Lifecycle? | IBM)**

Performance, Efficiency, Reliability- Metrics

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Mean time to deploy (MTTD) for models.

Model deployment frequency and rollback rates.

Resource utilization (GPU/CPU efficiency, cloud cost optimization). Ask your IT resource.

Pipeline automation level (% of manual vs. automated processes).

Implementation Summary

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Domain	Example Metrics	Goal
Business Impact	ROI, time-to-value	Prove measurable value
Data & Models	Accuracy, data completeness	Ensure reliability
Operations	MTTD, automation level	Optimize efficiency
Governance	Compliance rate, bias measure	Maintain trust
Adoption	Active users, NPS	Drive engagement

AI Experience

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Autonomous Medical Coding
XpertDox.com

To remove the burden from clinicians

To improve compliance, quality, revenues

Team: VPCO, CIO, VP RCM, EMR administrator, coders, billers

Roll-out course

Current Status

Customer Call Management
AssortHealth.com

To improve customer satisfaction and patient satisfaction

To shift workloads from the point of care

Team: VPCO, VPPO, CIO, PMs, Dir Marketing and Corp Comms

Roll-out course

Current Status

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Q&A

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