



# AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies

Presented by  
Andrew J. Reitz, Vice President Compliance, Buckeye Health Plan  
Debra Rossi, Senior Director, VMG Health



1

## Disclaimer

Although every reasonable effort has been made to assure the accuracy of the information within these pages at the time of publication, the Medicare program is constantly changing, and it is the responsibility of each provider to remain abreast of the Medicare program requirements. Any regulations, policies and/or guidelines cited in this publication are subject to change without further notice. Current Medicare regulations can be found on the Center for Medicare and Medicaid Services (CMS) website at [www.cms.hhs.gov](http://www.cms.hhs.gov).

## CPT Disclaimer

Common procedural terminology (CPT) codes, descriptions, and material are Copyright 2025 American Medical Association (AMA). All Rights Reserved. No fee schedules, basic units, relative value units or related listings are included in CPT. The AMA assumes no liability for the data contained herein. Applicable FARS/DFARS restrictions apply to government use.

2

# Overview

□ □ □ □ □

3

**IN THE FUTURE, WE USE AI TO DENY  
HEALTHCARE**

**BECAUSE IT'S MORE EFFICIENT**

makeameme.org

4 AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies | 2025

 AMERICAN HEALTH LAW ASSOCIATION

4



5 AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies | 2025

AMERICAN HEALTH LAW ASSOCIATION

5

### Artificial Intelligence at CMS

At CMS, Artificial Intelligence (AI) has the power to reshape the way we use data to make decisions. Given CMS's vast data resources, we have an unprecedented opportunity to drive innovation, boost productivity, and enhance service delivery through AI.

This website conveys CMS's resolve to strategically leverage AI in alignment with Federal and agency values.

### Leveraging the power of AI to serve America's healthcare needs

With more than 150 million Americans enrolled in Medicare, Medicaid, and the Children's Health Insurance Program, CMS possesses one of the most robust data portfolios in the federal government. We house patient and provider claims, beneficiary enrollments, and medical records, along with internal data such as budget documents and contract records. AI will play a key role in leveraging all of this data to drive innovation and enhance operational excellence across our programs.

As defined by for the Department of Health and Human Services by the [Assistant Secretary for Technology Policy](#), "AI enables computer systems to perform tasks normally requiring human intelligence." AI can analyze data, automate labor-intensive processes, find operational efficiencies, provide business insights, interact with customers, make predictions, optimize service delivery, and reveal new ways of solving problems. In short, AI is an emerging technology that will revolutionize CMS operations and customer experience for the public we serve.

[Source: ai.cms.gov](https://ai.cms.gov)

6 AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies | 2025

AMERICAN HEALTH LAW ASSOCIATION

6

## The Government and Risk-Based Technologies



### Executive Summary

"The Fraud Prevention System (FPS), originally launched in 2011 under the Small Business Jobs Act, remains a core component of CMS's comprehensive Medicare program integrity strategy. FPS uses predictive analytics, machine learning, and sophisticated algorithms to identify potentially fraudulent Medicare Fee-for-Service claims before payment. Integrated with other advanced tools like UPICs and PIMS, FPS plays a critical role in safeguarding the Medicare Trust Fund — including careful review of hospital inpatient stay claims."



"The National Health Care Anti-Fraud Association estimates that health care fraud accounts for approximately 3 percent and possibly as high as 10 percent of the nation's estimated \$5 trillion in health care spending."

## Topics

AI in  
Compliance  
Audits

Consultant vs.  
Payer  
Perspectives

Proactive  
Compliance  
Strategies

Defensive  
Audit  
Strategies

AI's Impact on  
Provider  
Scrutiny

Best Practices  
for AI in  
Compliance

9

H. AMERICAN HEALTH LAW ASSOCIATION

9

# AI in Compliance Audits

□ □ □ ■ □ □

10

# CMS Audits

- **Who Audits the Medicare Program?**
  - MACs, RACs, ZPICs, UPICs, SMRCs, CERTs
  - Medicare contracts with several different entities to audit and review claims submitted to the Medicare program. Each has their own unique role in auditing providers and different processes.
- **Medicare Administrative Contractors (MACs):**
  - MACs are primarily responsible for processing Medicare claims. They act as the primary contact between the Medicare program and the providers. MACs play a significant role in identifying overpayments and underpayments, conducting medical reviews, managing appeals, and providing education to providers. There are 12 MAC jurisdictions across the United States, each serving a specific geographic region.
- **Recovery Audit Contractors (RACs):**
  - RACs are designed to detect and correct past improper payments. They review claims on a post-payment basis and help in identifying overpayments made to providers and underpayments made to beneficiaries.
- **Zone Program Integrity Contractors (ZPICs):**
  - ZPICs are responsible for detecting and deterring Medicare fraud. They conduct investigations and refer potential fraud cases to the Office of Inspector General. ZPICs operate in seven zones across the United States.
- **Unified Program Integrity Contractors (UPICs):**
  - UPICs consolidate the work of the Medicare and Medicaid program integrity contractors into a single entity responsible for auditing both Medicare and Medicaid claims. They perform similar tasks to ZPICs, but on a broader scale. They cover five regions across the United States.
- **Supplemental Medical Review Contractor (SMRC):**
  - The SMRC conducts nationwide medical reviews of Medicare Parts A and B, and Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) claims for compliance with coverage, coding, payment, and billing practices.
- **Comprehensive Error Rate Testing (CERT) Contractors:**
  - The CERT program measures improper payments in the Medicare fee-for-service (FFS) program. The CERT contractor reviews a sample of Medicare FFS claims to determine if they were paid properly under Medicare coverage, coding, and billing rules. There's one national CERT contractor for the entire United States.
  - To make matters infinitely more confusing, Medicare contracts with different providers in different regions so there are several MACs, ZPICs, UPICs across the United States. There are also several contractors that cover the entire United States.

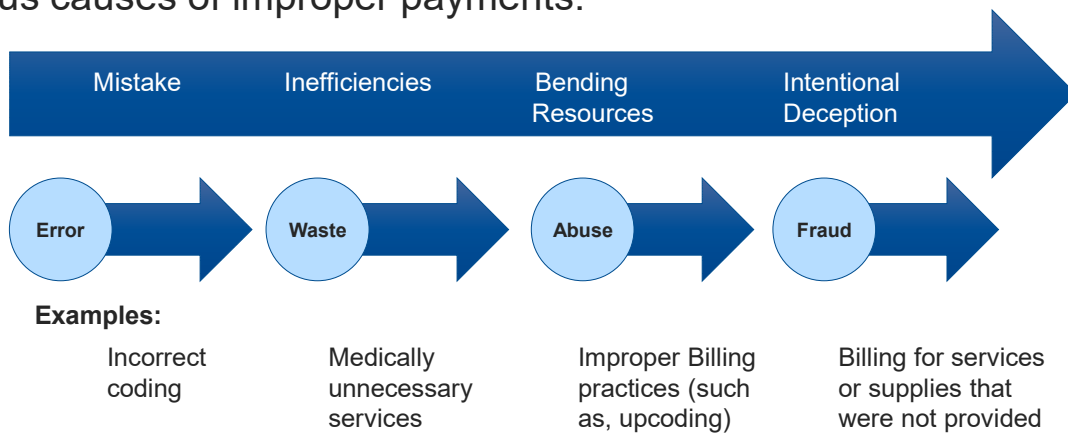
11

H. AMERICAN HEALTH LAW ASSOCIATION

11

## What are All Payers Looking For?

**Program Integrity** encompasses a range of activities to target the various causes of improper payments.



The National Health Care Anti-Fraud Association estimates conservatively that health care fraud (which costs the nation about \$68 billion annually) accounts for approximately 3 percent of the nation's \$2.26 trillion in health care spending.

12 AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies | 2025

H. AMERICAN HEALTH LAW ASSOCIATION

12



## The Role of AI in Compliance

### Automation of Compliance Tasks

AI automates repetitive, rule-based tasks such as coding validation, documentation checks, and audit preparation.

This reduces human error and allows compliance teams to focus on complex cases.

### Real-Time Monitoring and Alerts

AI systems continuously scan clinical and billing data to detect anomalies or deviations from compliance standards.

Real-time alerts enable organizations to address issues proactively before external audits occur.

### Risk Scoring and Predictive Analytics

AI identifies high-risk providers, services, or claims by analyzing historical data and

### Documentation Support

AI tools assist clinicians during documentation by suggesting appropriate codes or ensuring that required elements are captured, reducing non-compliance due to oversight.

### Audit Trail and Reporting

AI systems generate detailed logs and documentation that can be used during external audits to demonstrate compliance efforts and rationale for decisions.

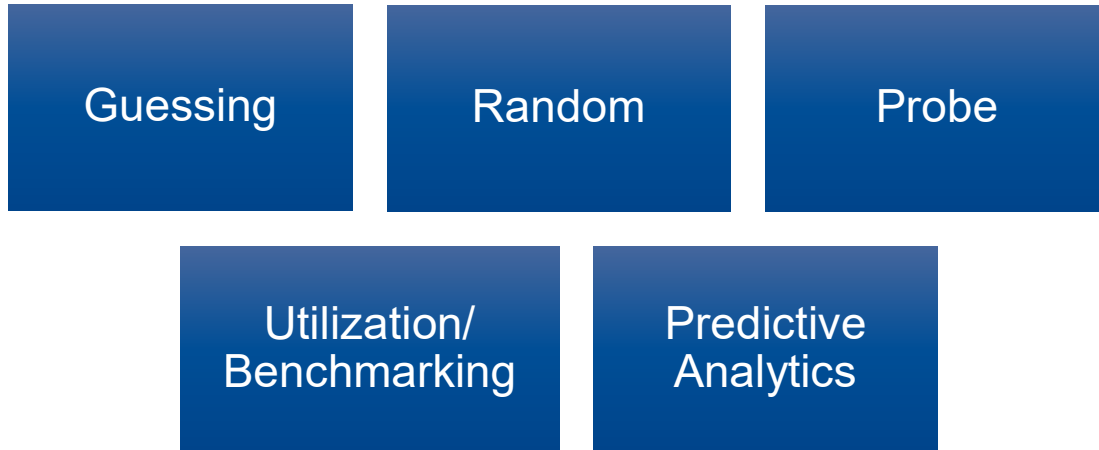
### Bias and Algorithm Oversight

Compliance teams also use AI to monitor AI itself—ensuring that algorithms used in clinical or administrative processes remain fair, transparent, and legally sound.

## The Current Healthcare Landscape

- In today's rapidly evolving healthcare landscape, medical practices face significant challenges in managing the complexities of billing and coding. The **increasing scrutiny from regulatory** bodies has made the risk of audits a constant concern. However, the emergence of advanced analytics, including predictive analytics, artificial intelligence (AI), and machine learning, is **revolutionizing how healthcare providers can anticipate and prepare for these audits**. These technologies are critical in both enhancing the accuracy and efficiency of predicting billing and coding audits and their specific targets, and in empowering healthcare providers to take control of their financial processes.
- **Understanding the Complexity of Billing and Coding**
  - Billing and coding are pivotal in healthcare management, ensuring practices are duly compensated for the services they render to their patient populations. However, the sheer number of codes and the frequent updates to coding standards and regulations can make the process seem daunting. For physician services alone, there are currently **over 10,000 CPT codes and 5,000 HCPCS level II codes**. Add to that more than **72,000 ICD-10 diagnosis codes**, and the potential for errors seems infinite. As any seasoned compliance executive knows, such errors can lead to revenue loss and escalate the risk of compliance issues, which can trigger costly audits. Traditionally, practices have relied on manual checks and basic software tools to handle these tasks, but these methods often fall short of detecting potential errors before they escalate. This is precisely the problem that this new advanced technology aims to address.

# Historical Perspective of Audit Analytics



## The Role of Predictive Analytics

### The Advantages of AI and Machine Learning

- AI and machine learning enhance advanced analytics by identifying patterns and learning from them to improve future predictions. Machine learning algorithms can continuously analyze new data as it comes in, refining their models for better accuracy over time. This capability is particularly valuable in the healthcare industry, where regulations and standards are constantly changing.
- Additionally, AI can help automate the coding process, reducing the likelihood of human error. AI systems can be trained to understand clinical documentation and assign the appropriate codes, ensuring claims are accurate from the beginning. Moreover, AI can handle the repetitive and time-consuming tasks of data entry and preliminary data analysis, freeing human resources to focus on more complex billing and coding management aspects.

### Case Studies and Evidence

- Many healthcare organizations have found that adopting advanced technologies has brought them significant benefits. For example, a large hospital network used a machine learning model to predict which claims might be flagged for audits using historical data. This system reduced audit rates by 25%, resulting in substantial cost savings. In another case, a large healthcare system employed predictive models to identify which providers and services were most likely to be targeted, allowing them to conduct prior audits, thus mitigating potential financial damage from overpayment demands.

### Advanced Analytics Implementation Strategies

- Although the benefits are evident, implementing such technologies can seem daunting at first. However, properly developed applications are designed to minimize the costs normally associated with onboarding new technologies. In many cases, these applications will provide financial analyses in addition to just coding and billing risk, helping the organization offset any costs associated with acquisition and implementation. More importantly, moving in this direction requires a cultural shift toward data-driven decision making. Training is also crucial, as staff must understand how to use and interpret new tools' results and trust the insights they provide.

### Future Directions

- As technology continues to advance, the potential applications of AI, machine learning, and predictive analytics in healthcare will expand. Future developments might include more sophisticated models that can predict the likelihood of audits and suggest optimal coding practices or identify areas where billing processes can be improved for better efficiency and compliance. The use of generative AI techniques will help organizations produce interpretation and presentation wizards, improving communication between administrative and clinical departments.



## Types of AI Tools for Compliance Audits

- Health Care Fraud Shield (HCFS)
- Special Investigation Resource and Intelligence System (SIRIS)
- CMS FWA Tracking Module
- Code Editor (PISCES)
- Electronic Visit Verification (EVV)

## Consultant vs. Payer Perspectives



## Consultant vs. Payer Perspectives on AI in Health Care

<u>Aspect</u>	<u>Consultant</u>	<u>Payer</u>
<b>Primary Goal</b>	Drive innovation, improve care delivery and efficiency	Control costs, ensure compliance, detect misuse
<b>AI Role</b>	Strategic enabler of transformation	Risk mitigation tool for auditing and oversight
<b>Typical Use Cases</b>	Predictive analytics, workflow optimization	Claims review, fraud detection, utilization management
<b>View of AI</b>	Opportunity for differentiation and quality improvement	Mechanism for enforcement and education
<b>Concerns</b>	Integration, staff training, maintaining ethical standards	Transparency, overreliance, provider backlash
<b>Collaborative Focus</b>	Implementation and optimization	Regulation and reimbursement alignment

19 AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies | 2025

 AMERICAN HEALTH LAW ASSOCIATION

19

## Consultant vs. Payer Perspectives on AI for Coding & Auditing

<u>Aspect</u>	<u>Consultant</u>	<u>Payer</u>
<b>Objective</b>	Improve coding accuracy, optimize revenue cycle	Detect overcoding, prevent fraud, ensure claim accuracy
<b>AI Role</b>	Enhance coder productivity, automate documentation review	Review claims, flag anomalies, audit provider documentation
<b>Key Benefits Seen</b>	Efficiency, faster reimbursement, compliance risk reduction	Cost savings, improved oversight, reduction in improper payments
<b>Concerns</b>	Overdependence on automation, staff training needs	False positives, lack of algorithm transparency, provider disputes
<b>Success Metrics</b>	Denial rate reduction, coding speed, documentation quality	Audit yield, cost recovery, fraud prevention rates
<b>Collaboration Focus</b>	Align AI with clinical workflows, maintain documentation integrity	Establish audit criteria, define acceptable AI-driven flags

20 AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies | 2025

 AMERICAN HEALTH LAW ASSOCIATION

20

# Proactive Compliance Strategies

□ □ □ □ □

21

## Building Strong Internal Auditing & Peer Review Programs

### Why It Matters

- Ensures ongoing coding accuracy and compliance.
- Identifies patterns and training needs.
- Fosters a culture of continuous quality improvement.

### Core Program Elements

- Clearly defined and documented.
- Enhances credibility to organization.
- Serves as an educational tool.

### Structured Audit Plan

- Set frequency (e.g., monthly or quarterly).
- Target high-risk DRGs, CPT overutilization and coder-specific trends.

### Standardized Audit Criteria

- Follow AHIMA, CMS, OIG or internal compliance rules.
- Validate coding choices and clinical support.

### Peer Review Process

- Use dual coding or blinded chart reviews.
- Encourage supportive, educational feedback.

### Feedback & Education

- Share findings with examples and correction strategies.
- Offer coaching, track progress, and adjust focus areas.

### Technology Integration

- Use tools like 3M Audit Expert, Optum Audit Manager, or Compliance Risk Analyzer.
- Employ dashboards to visualize trends and performance.

22

22

# Billing and Coding Compliance



## Risk based auditing

Identify those providers and services most likely to be audited

Identify DRGs/CPTs and in some cases ICD-10-CM codes most likely to be audited

Identify claims most likely to have been billed in error



## Real- and near-time monitoring and analysis of audit results



## Value-based auditing

Using machine language to improve risk models

For example, predictive algorithms will read audit results to effectively reduce false positive, significantly improving audit efficiency

23

H. AMERICAN HEALTH LAW ASSOCIATION

23

# Compliance Plan: Auditing and Monitoring



## Pre-Audit Preparation



**Understand Medicaid, Medicare, and Commercial Payer regulations and guidelines:** Regularly review and understand the latest rules, regulations, guidelines, and billing codes related to your services.



**Establish a compliance program:** Implement a compliance program that includes regular internal audits and staff training on accurate documentation and billing practices.



**Documentation:** Ensure all patient files are complete, up-to-date, and easily accessible. Documentation should clearly demonstrate medical necessity and align with billed services.



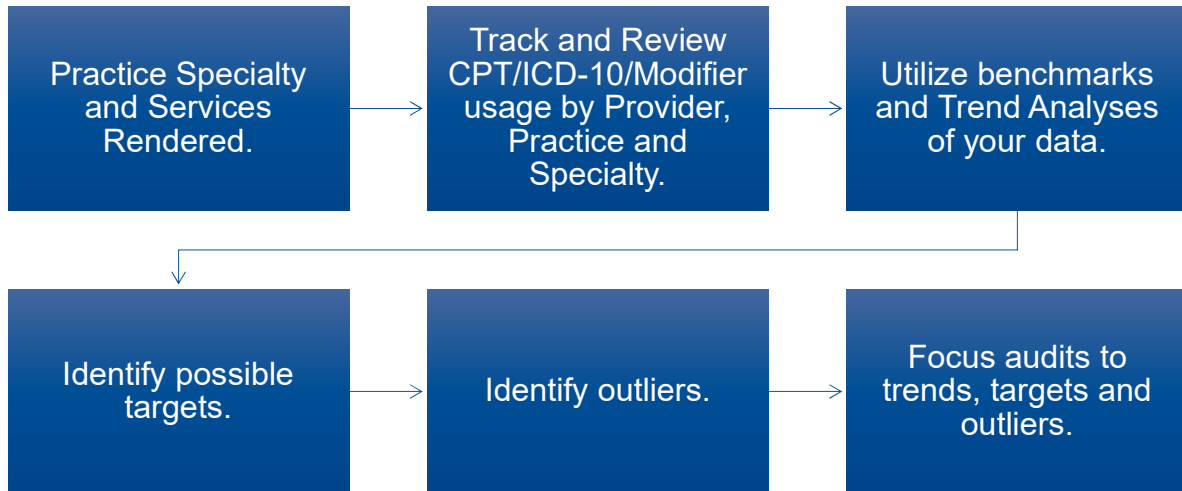
**Implement:** A program and parameters for your Data Analytics.

24

H. AMERICAN HEALTH LAW ASSOCIATION

24

## Compliance Plan: Data Analytics



25

H. AMERICAN HEALTH LAW ASSOCIATION

25

## Establish Pass/Fail Rules

What defines a pass/fail event?

- Percent of errors by chart?
- Percent of errors by code?
- A point system?

Pass/Fail threshold examples:

- Greater than 90% pass rate, audit annually
- Between 75% and 90%, re-audit quarterly
- Between 60% and 75%, re-audit monthly
- Below 60%, 100% pre-bill audit

26 AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies | 2025

H. AMERICAN HEALTH LAW ASSOCIATION

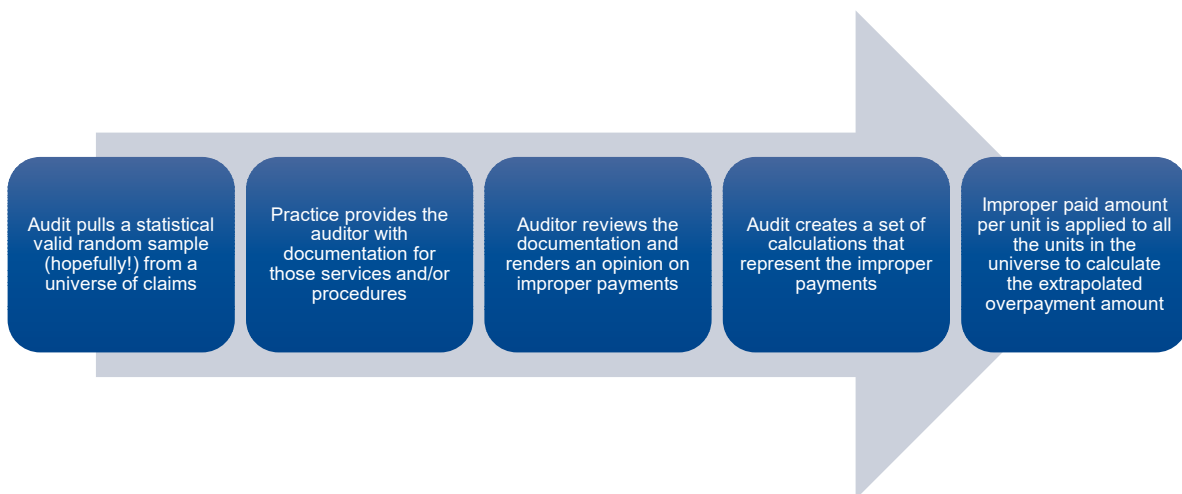
26

# Defensive Audit Strategies

□ □ □ □ □

27

## How Does an Audit Work?



28

28

# Defensive Audit Strategies

## 1. Pre-Audit Risk Assessment

- Use internal analytics or AI tools to identify high-risk coding patterns
- Flag outliers *before* external audits do

## 2. Documentation Reviews

- Conduct regular training and periodic internal audits of clinical notes and coding practices
- Train providers on thorough, compliant documentation – identify regulatory requirements

## 3. AI Oversight Protocols

- Regularly evaluate AI-driven audit tools for accuracy and bias. Fact check and review information from AI tools
- Ensure clinicians/coders/administrators understand and can challenge flagged issues

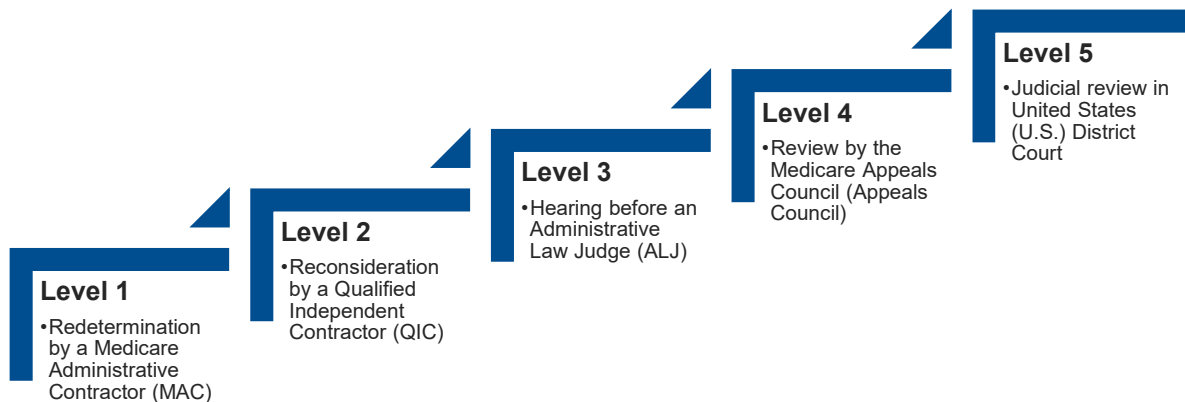
## 4. Policy and Procedure Updates

- Keep coding, billing, and documentation policies current with evolving standards, updated regulatory guidelines and payer policies
- Include audit-readiness checks in workflows

## 5. Legal and Compliance Alignment

- Collaborate with legal/compliance teams to prepare appeal frameworks
- Document rationale/policy and procedure for coding decisions and AI tool usage

# The Medicare Appeals Process





# The Medicaid Appeals Process

- Varies by State
- Potential Governing Sources:
  - State Medicaid Contract
  - State Statutory Code and Regulations
  - Provider – Payer Contracts
- Payers have specific appeals processes
- Lawsuit

31

H. AMERICAN HEALTH LAW ASSOCIATION

31

# What is Extrapolation?



A statistical method used to estimate values by extending a known set of values or facts.



Purpose: identify overpayments or underpayments in claims by reviewing a sample and applying findings to a larger population.



Primarily dependent upon the sample and the sampling process.



Providers focus the majority of their efforts on the sample and sampling process when contesting extrapolation results.

32

H. AMERICAN HEALTH LAW ASSOCIATION






32

# AI's Impact on Provider Scrutiny

□ □ □ □ □

33

## AI's Impact on Provider Scrutiny

-  Heightened Surveillance  
*Real-time monitoring of provider behavior and documentation.*
-  Automated Risk Scoring  
*Providers ranked by AI-driven risk models based on outlier behaviors.*
-  Lower Error Tolerance  
*Minor discrepancies may trigger audits; perceived AI infallibility.*
-  Behavioral Impact  
*Increased defensive documentation; risk of burnout and compliance fatigue.*
-  Ethical Questions  
*Concerns overdue process, algorithm transparency, and fairness.*

34

# Best Practices for AI in Compliance

□ □ □ □ □

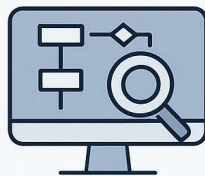
35

## Best Practices for AI in Compliance



### Ensure Algorithm Transparency

Choose AI tools with explainable logic  
Allow providers and compliance teams to understand decision-making criteria



### Validate and Monitor Performance

Regularly test AI outputs against human audit standards



### Integrate with Existing Workflows

Align AI tools with clinical and administrative systems  
Minimize disruption by embedding tools within EHR platforms



### Promote Cross-Disciplinary Oversight

Involve compliance officers, clinicians, data scientists, and legal advisors  
Establish AI governance committees



### Prioritize Data Security and Privacy

Follow HIPAA and local data protection regulations  
Use encrypted, de-identified datasets for training and testing

36

## Summary Takeaways



AI isn't going away. Embrace it.



No matter what side you represent (Provider or Payer), the goal should be better health outcomes for Patients.



Audits are Inevitable. Be Audit Ready!



Compliance Matters. There are significant implications for both Providers and Payers for failing to comply.



Become an expert in Change Management. The industry is constantly changing, and AI is accelerating the changes.

37

H. AMERICAN HEALTH LAW ASSOCIATION

37

# Best Practice Tool for AI Compliance



38

## AI in Health Care: Friend or Foe? Navigating Proactive vs. Defensive Strategies – Best Practice Checklist

Andrew J. Reitz, Vice President Compliance, Buckeye Health Plan  
Debra Rossi, Senior Director, VMG Health

1. **AI isn't going away. Embrace it.**
  - ☐ Identify Areas of AI usage in your organization.
  - ☐ How is the use of AI monitored?
  - ☐ Is authentication of information performed?
2. **No matter what side you represent (Provider or Payer), the goal should be better health outcomes for Patients.**
  - ☐ Know All Payer Guidelines – Medicare vs. Medicaid vs. Commercial Insurance.
  - ☐ Educate Providers and Staff on documentation requirements for services rendered.
  - ☐ Validate continuity of care, patient compliance, and cost containment due to better health outcomes.
3. **Audits are Inevitable. Be Audit Ready!**
  - ☐ Document your Compliance Program Requirements.
  - ☐ Perform regular audits and provide feedback to your clinical and administrative staff.
  - ☐ Be aware of the types of audits and what the auditors are looking for!
4. **Compliance Matters. There are significant implications for both Providers and Payers for failing to comply.**
  - ☐ Be Proactive vs. Reactive.
  - ☐ Provide regular education for all staff on regulatory changes in Compliance.
  - ☐ Know how to review and/or respond and correct if an issue is identified.
5. **Become an expert in Change Management. The industry is constantly changing, and AI is accelerating the changes.**
  - ☐ Communicate Regularly with Payers – Sign up for alerts, newsletters, emails. Share within your Organization.
  - ☐ Conduct Regular education on AI and its compliant usage as well as how to avoid mistakes with fact checks.
  - ☐ Don't be afraid of AI – be informed – understand best practices when using AI and what steps can be taken to be compliant.

## Questions

**Andrew J. Reitz**  
Vice President Compliance,  
Buckeye Health Plan

Andrew.J.Reitz@centene.com

4349 Easton Way, Suite 120  
Columbus, Ohio 43219

(P) 614-220-4907

**Debra Rossi**  
Senior Director  
VMG Health

Debra.Rossi@vmghealth.com

PO BOX 136  
Lindenhurst, NY 11757

(P) 631-656-1491