

What Triggers a Healthcare Facility Audit?

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For a healthcare organization in Massachusetts, the word audit may be a significant source of stress for you and your team. If you view the term as a systematic health checkup rather than an interrogation, it may feel more comfortable. In a state known for exceptional patient care, maintaining your high standard of administrative accuracy is just as important as the clinical care you provide at the bedside.

When you need help understanding what triggers a healthcare facility audit, Cohen Cleary's experienced [healthcare facility attorneys](#) are here to help. We step in to provide you with the assistance you need to protect your organization and ensure your focus remains on the patients themselves.

What is a Healthcare Facility Audit?

A healthcare facility audit is a formal assessment of your organization's records, protocols, and billing practices. The goal is to verify that your facility is following state and federal regulations, as well as the specific rules set by health insurance companies.

An audit looks at your medical records and documentation to ensure that the services you billed were actually provided, were medically necessary, and were documented properly. If any errors are identified, they will then create plans to fix them and overall help your facility's compliance strategy.

Types of Healthcare Facility Audits

Not every audit is the same. Depending on who is asking the questions, you may encounter different types of audits:

- **Internal Audits:** These self-checkups are performed in-house by your own team or hired legal assistance. Conducting regular internal audits is a best practice to help identify and fix mistakes before anyone outside your organization has identified them.
- **External Audits:** These are conducted by outside groups, such as insurance companies or government agencies like the [Centers for Medicare and Medicaid Services \(CMS\)](#).
- **Recovery Audit Contractors (RAC):** These auditors specifically look for overpayments or underpayments in Medicare and Medicaid claims.

Do not let the term "audit" scare you. As a healthcare provider who cares about your patients, you should want to identify the same issues as the auditors do. In fact, if you conduct an internal audit, you may find that you save yourself time and money that you could be pouring back into your organization to help more patients.

What Are the Key Factors That Trigger a Healthcare Facility Audit?

While some audits are done completely randomly, most are triggered by specific red flags in your data or operations. Some of the most common reasons a facility may come under the microscope include the following:

Unusual Billing Patterns and Upcoding

Data flags are the most common trigger of audits today. If your billing patterns look different from those of other similar healthcare facilities in Massachusetts, you may be flagged. For example, upcoding, or billing for a more expensive service than what was provided, is a common red flag that often leads to a full audit.

High Medicare and Medicaid Claim Volumes

Medicare and Medicaid represent a massive portion of public spending and are often the target of audits. Facilities with unusually high claim volumes for specific expensive procedures are often prioritized for review. Auditors want to ensure that a high volume of claims is due to a genuine patient need rather than a strategy to increase revenue.

Whistleblower Complaints and Qui Tam Actions

Sometimes, a red flag may come from inside your own healthcare facility. A Qui Tam action occurs when an individual, often called a whistleblower, reports suspected fraud. These complaints are taken very seriously by federal authorities and almost always result in a thorough investigation of a facility's billing practices.

Prior Audit Findings and Unresolved Compliance Issues

If a previous audit found additional issues that were not corrected, you can expect a return visit from the regulatory agents. Unresolved audit findings suggest that a facility is not committed to ensuring compliance, making you a high-priority target for future reviews.

Data Analytics and Predictive Fraud Detection

Insurance companies use advanced software to analyze enormous volumes of claims in seconds. These algorithms look for any outliers in data and may trigger an audit to figure out the cause.

Patient and Consumer Complaints

If a patient or family member notices a charge on their statement for a service they do not remember receiving, they may report it to their health insurance provider. Even a few complaints can trigger a wider look into your billing and documentation.

Stark Law and Anti-Kickback Statute Violations

Violations of anti-kickback statutes and Stark Law can trigger intense investigations. These laws are designed to prevent conflicts of interest and kickbacks for providers. Any financial relationships that look like a pay-to-play scheme may immediately trigger a high-stakes audit, regardless of the facility's intentions.

Media Coverage and Public Scrutiny

If a news outlet runs a story about medical fraud or poor patient care in a certain region,

regulators may receive external pressures to launch a targeted audit of facilities in that area.

Random Selection and Targeted Audit Programs

Sometimes it is completely random who receives an audit. This is standard practice in the healthcare industry and is more of a reason to be prepared at any time to account for your practices and legal compliance.

What Happens During a Healthcare Facility Audit?

If you are set to be audited, you may wonder what to expect. The audit typically begins with a request for medical records and financial documentation. The auditor will then compare clinical notes against the medical coding you submitted for payment. They will typically look for whether your treatments are medically necessary and accurate. If everything comes back as correct, they will then authenticate that the records are accurately signed and dated by the provider.

What Are the Consequences of a Failed Healthcare Facility Audit?

The results of a failed audit can range from simply correcting the action to severe financial penalties. Common consequences of a failed healthcare audit include:

- **Repayment:** You may be required to repay money for any claims found to be incorrect.
- **Fines:** If errors seem to be made intentionally, you may be required to pay a penalty on top of the original claim amount.
- **Pre-payment Review:** Insurance companies may stop paying your claims automatically and instead require every single claim to be reviewed prior to payment, slowing your cash flow.
- **Exclusion:** In some extreme cases, a healthcare facility may be excluded from participating in certain programs, such as Medicare or Medicaid.

Proactive internal audits of your systems can help you mitigate the risk of a failed healthcare facility audit.

How to Reduce Your Risk of a Healthcare Facility Audit

The best way to reduce your risk of a healthcare facility audit is to build a culture of compliance within your organization. This begins with staff training, not just for new hires, but ongoing. This helps your workers prioritize proper medical coding and stay up-to-date with industry regulations.

Conducting regular internal audits doubles down on this focus. By looking at your own monthly data, you can catch billing patterns that may be flagged by external auditors. When you catch your own errors or outliers in-house, you can fix them before an external agency enters the picture.

Keeping with the theme of a culture of compliance, maintain open lines of communication with staff and encourage people to speak out if they see issues. Remind providers that their notes are proof of the great work they do and how documentation can lead to improved patient

outcomes overall.

Speak With a Healthcare Compliance Attorney

Laws governing healthcare organizations in Massachusetts are constantly evolving. Working with an experienced healthcare attorney can help you stay focused on providing quality patient care without worrying about legal issues. Contact our team today to [set up a free consultation](#) to discuss your facility's compliance.