

AUDIT-READY RESOURCE CENTER

Fraud, Waste & Abuse Red Flags

An auditor-focused framework for recognizing patterns that warrant additional review, education, monitoring, or escalation.

1	Identify the observable pattern.
2	Validate the documentation, coding, billing, and policy requirements.
3	Escalate based on evidence and risk - not assumption or intent.

Important: A red flag is a signal for further review. It is not, by itself, proof of fraud, waste, abuse, or improper intent.

Think Like an Auditor. Code With Defensibility.

Recognize the signal. Validate the evidence. Document the finding.

Four Categories of Red Flags

Review the complete record and claim context before drawing a conclusion.

Documentation Conflicting statements; copied-forward content; unsupported diagnoses; missing linkage, time, or clinical rationale.	Coding & Billing Code intensity exceeds documentation; modifier use changes payment without support; unbundling or repeated edit overrides.
Utilization & Patterns Unusual frequency, volume, or service mix; repeated high-level services; outlier behavior across providers or locations.	Operational & Process Recurring errors after education; weak controls; inconsistent query practices; unresolved audit findings or monitoring gaps.

Risk Signals That Warrant Review

1	E/M and Service Levels	High-level services reported at an unusual rate; documentation does not reflect the reported intensity or complexity.
2	Modifiers and Edits	Frequent modifiers, repeated bypasses, or payment-impacting modifiers without clear documentation support.
3	Diagnosis Reporting	Diagnoses reported without current evaluation, treatment, monitoring, or documented relevance to the encounter.
4	Medical Necessity	Services, tests, or frequency appear inconsistent with the documented condition or applicable coverage requirements.
5	Duplicate or Repeated Services	Same or similar services reported multiple times without documentation that clearly distinguishes each service.
6	Provider or Location Outliers	Patterns differ materially from peers, historical performance, or expected service-line behavior.

The Auditor Response Framework

Use a consistent sequence so the review is traceable, reproducible, and proportional to risk.

Step	Action	Audit Focus
1	Define the Signal	State the observed pattern, variance, or concern without assigning intent.
2	Validate the Evidence	Review the complete record, claim, coding logic, edits, policy, and relevant comparison data.
3	Assess Scope and Impact	Determine whether the issue is isolated or patterned and evaluate compliance, financial, quality, and operational impact.
4	Document the Finding	Describe the condition, criteria, evidence, impact, and recommended response in objective language.
5	Determine the Response	Correct, educate, monitor, expand the audit, or escalate through the appropriate compliance process.

Use Objective Language

Instead of	Use
The provider committed fraud.	The observed pattern warrants additional review under the applicable compliance process.
The coder intentionally unbundled the service.	The reported services do not meet the documented or policy requirements for separate reporting.
This is abusive billing.	The pattern may create compliance and reimbursement risk and should be evaluated further.
The claim is clearly false.	The claim elements are inconsistent with the documentation reviewed.

Escalation and Final Review

Escalation should be evidence-based, documented, and routed through the organization's established compliance process.

Correct and Educate	Use when the issue is isolated, low risk, and attributable to a clear documentation, coding, or workflow gap.
Monitor	Use when recurrence is possible or when corrective action requires follow-up validation.
Expand the Audit	Use when the issue may affect additional claims, providers, dates, locations, or service lines.
Escalate	Use when evidence suggests significant risk, repeated noncompliance, unresolved findings, or the need for legal/compliance review.

Three Questions Before Finalizing

QUESTION 1

Did I distinguish the red flag from a confirmed finding?

QUESTION 2

Did I validate the documentation, coding, policy, and pattern evidence?

QUESTION 3

Did I avoid conclusions about intent and route the issue appropriately?

Recognize the Signal. **Validate the Evidence.**

A red flag starts the review - it does not finish it.