



Weekly Auditing and Compliance Tip

National Alliance of Medical Auditing Specialists | 877-418-5564 | namas.co | namas@namas.co

March 24, 2017

Ashby's Law of Requisite Variety; A Lesson in Preparedness

Have you ever wondered why grandparents have so much more fun with their grandchildren than they did with their children? Or why they have so much more fun than their children have with their children? It's the same reason why some organizations move through crises like a knife through butter while other fall into total chaos and sometimes, collapse. It's due to a phenomenon called Ashby's Law of Requisite Variety. Let's stay with the grandparent example for a minute since I have as much experience with that as I do with compliance!

When a baby is born, it has just four basic needs and for now, let's refer to these needs as disruptions or, better yet, perturbations. According to the Merriam-Webster dictionary, a perturbation is defined as follows:

"a disturbance of motion, course, arrangement, or state of equilibrium ; especially: a disturbance of the regular and usually elliptical course of motion of a celestial body that is produced by some force additional to that which causes its regular motion"

For our purposes, we are going to deal with the definition part that deals with a disturbance in a state



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of equilibrium and if you hang with me for a few more paragraphs, you will see how this applies to the area of compliance and compliance risk. So, back to our baby example. Those four perturbations that a parent experiences with a baby occur when the baby is hungry, tired, wet and sick. The good news is that most young adults have the requisite tools to deal with these four perturbations. Then can feed a baby, change a baby, put a baby to sleep and when sick, take the baby to the doctor. Pretty simple actually and as long as these tools are in the young parent's toolbox, equilibrium within the system is maintained.

To be more specific, Ashby's law infers that the larger the variety of actions available to a control system, the larger the variety of perturbations it is able to compensate. In more simple terms, for every perturbation, there needs to be a response that can quell or counter that perturbation in order for the system to remain at equilibrium. So if a young parent, for example, cannot handle when a baby cries; in essence, they don't possess the requisite tool to counter or quell that disruption, then the system (or the household) goes to chaos. I am pretty sure most every parent understands that to which I am referring.

As a child grows older, the variety of perturbations (or disruptions) grow. Again, if you have ever been a parent, you understand where this is going. Toddlers have new disruptions and teenagers have even more and bigger disruptions. I am the father of four daughters and when they hit the 'relationship' years, the variety of perturbations definitely exceeded the tools I had to counteract those perturbations and as a result, it was not uncommon in my house for chaos to ensue.

But here I am as a grandparent and having gone through the experiencing of raising my kids, I have amassed a toolbox that is, figuratively, huge and is filled with a variety of tools that can easily meet any disruption that my grandkids can throw at me. As a result, because, as stated above, the variety of actions available to me is at least equal to the number of perturbations my grandchildren can create, I no longer live in the stress of chaos. Life is grand, so to speak!

Now to the point. In the world of healthcare, because of the complexities involved in both clinical iterations of treatments and regulations, there can be (at least what seems like) an infinite number of perturbations. For most, like dealing with patient visits, procedures and services, billing and collection and many other



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routine tasks (tongue in cheek), we meet the threshold for Ashby's law in that we have the requisite variety of tools necessary to deal with the majority of the critical perturbations. This has major implications in many practical applications within the provider organization, including patient relations, HR, and other non-compliance areas. Looking at compliance in particular, there are some 12 or more auditing entities mining data from healthcare providers. Each, within their own mission statement look for different types of outliers, anomalies, aberrancies and other variances from what they may define as normal. Each, then, create their own model to define the thresholds that stimulate an audit or review and each component within that model could be considered as a perturbation. In CERT, for example, there are several major reasons for classifying a claim as paid in error. There's insufficient document, improper coding, lack of medical necessity, etc. For insufficient documentation, for example, there are a number of thresholds that push a finding into that classification. CERT states that it means that the provider did not include pertinent patient facts, such as the patient's overall condition, diagnosis, extent of services performed, etc. Each of those, from a documentation perspective, may represent an individual disruption while, at the same time, all together they represent another disruption. If we take Ashby's law to heart, it means that, for each of those disruptions, we need a counteractive tool to suppress the perturbation. In an audit situation, the initial request for records creates a perturbation and our ability to respond will create an outcome that is either positive or negative. When an audited unit (patient, claim, line, etc.) is found to be in error, having a qualified coder to argue qualitative points of the findings counters those disruptions to the degree that, whatever the outcome, chaos is likely averted.

The bottom line is that any audit event creates many perturbations and maintaining equilibrium within the system depends on our ability to meet each of those perturbations with a viable counteraction. It's about building a toolbox with as much variety as possible so that we are ready to counter any possible disruption. Like with parenting, in most circumstances, the second child is easier than the first and the third is easier than the first two (remember, I said in most circumstances, not all). Allegorically speaking, the second audit is usually easier to deal with than the first and the third is normally easier than the first two. The problem with the latter is that not having the variety of tools to deal with the first audit can, in

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some circumstances, pretty much guarantee that won't be a second or third as you will be out of business.

So, if we accept that Ashby's law is valid and that it applies in the audit environment, what can we do to mitigate the chaos that these perturbations often create? The simple answer is to build a toolbox with as much variety as you can as quickly as you can; preferable in advance of the first audit. How do we do this? By attending conferences, reading articles, engaging consultants, getting training and other activities that afford us the opportunity to be prepared as best as we can. Unfortunately, things will happen for which we are totally unprepared. We won't have a tool to counter the disruption. That's pretty much a given, however, in the process of acquiring these tools, we become better at, well, acquiring tools and when black swan events rear their ugly heads, we will likely have the experience and skill set to develop the requisite tool in short order.

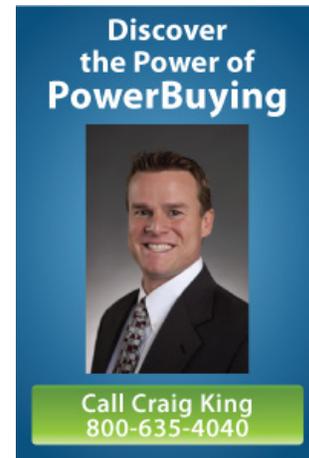
In summary, we should look to the Coast Guard as our example of Ashby's Law. Their motto is Semper Paratos, or always ready. As such, we should be, also.

This Week's Tip Written by:

Frank Cohen, MBA, MPA
Frank Cohen is the senior analyst for The Frank Cohen Group, LLC. He is a health care consultant that specializes in data mining, applied statistics, practice analytics, decision support and process improvement. He can be reached at frank@frankcohengroup.com



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