



Recovery Audit Contractors (RACs) and Medicare

The Who, What, When, Where,
How and Why?

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Agenda

- What is a RAC?
- Will the RACs affect me?
- Why RACs?
- What does a RAC do?
- What are the providers' options?
- What are the 3 Keys to RAC program success?
- What can providers do to get ready?

What is a RAC?

The RAC Program Mission

- The RACs detect and correct past improper payments so that CMS and Carriers, FIs, and MACs can implement actions that will prevent future improper payments
 - **Providers** can avoid submitting claims that do not comply with Medicare rules
 - **CMS** can lower its error rate
 - **Taxpayers** and future Medicare beneficiaries are protected

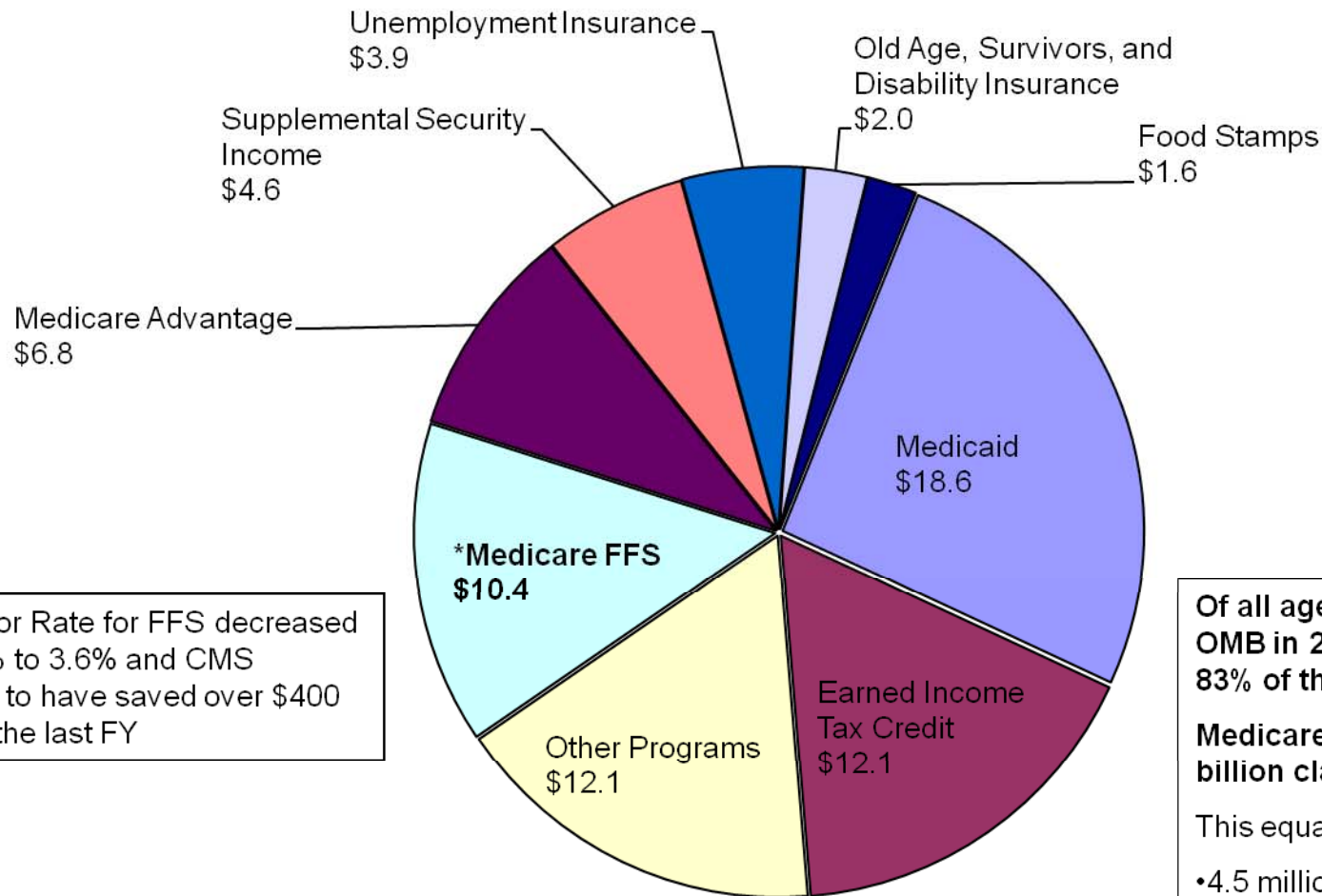


Will the RACs affect me?

- Yes, if you bill fee-for-service programs, your claims will be subject to review by the RACs
- All claims are eligible for RAC review currently so providers can start to receive correspondence now

Why do we have RACs?

Top Federal Programs with Improper Payments 2008 (Billion Dollars)



*2008 Error Rate for FFS decreased from 3.9% to 3.6% and CMS estimates to have saved over \$400 million in the last FY

Of all agencies that reported to OMB in 2008, these 8 make up 83% of the improper payments.

Medicare receives over 1.2 billion claims per year.

This equates to:

- 4.5 million claims per work day



RAC Legislation

- Medicare Modernization Act, Section 306
 - Required the 3-year RAC demonstration
- Tax Relief and Healthcare Act of 2006, Section 302
 - Requires a permanent and nationwide RAC program by January 1, 2010
- Both of these statutes gave CMS the authority to pay the RACs on a contingency fee basis

What does a RAC do?

RAC Review Process

- RACs review claims on a post-payment basis
- RACs use the same Medicare policies as Carriers, FIs and MACs
 - NCDs, LCDs, CMS Manuals
- Two types of review:
 - Automated (no medical record needed)
 - Complex (medical record required)
- RACs will not be able to review claims paid prior to October 1, 2007
 - RACs will be able to look back three years from the date the claim was paid
- RACs are required to employ a staff consisting of nurses or therapists, certified coders, and a physician CMD



The Collection Process

- Same as for Carrier, FI and MAC identified overpayments
- Carriers, FIs and MACs issue Remittance Advice
 - Remark Code N432: "Adjustment Based on Recovery Audit"
 - Carrier, FI, MAC recoups by offset unless provider has submitted a check or a valid appeal



What is different?

- Demand letter is issued by the RAC
- RAC will offer an opportunity for the provider to discuss the improper payment determination with the RAC (this is outside the normal appeal process & is known as the RAC discussion period)
- Issues reviewed by the RAC will be approved by CMS prior to widespread review
- Approved issues will be posted to a RAC website before widespread review



What are Providers' Options

- Pay by check
- Allow recoupment from future payments
- Request or apply for extended repayment plan
- Appeal-same process for Carrier/FI/MAC denials (if you disagree with the RAC's determination, don't stop with the discussion letter, file appeal by Day 120 after Demand Letter)
 - Appeal Timeframes
 - <http://www.cms.hhs.gov/OrgMedFFSAppeals/Downloads/AppealsprocessflowchartAB.pdf>
 - 935 MLN Matters
 - <http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM6183.pdf>



RAC Program's Three Keys to Success

- Minimize Provider Burden
- Ensure Accuracy
- Maximize Transparency



Minimize Provider Burden

- Limit the RAC “look back period” to three years
 - Maximum look back date is October 1, 2007
- RACs will accept imaged medical records on CD/DVD
- Limit the number of additional documentation requests



Summary of Additional Documentation Request Limits (for FY 2009) (for other provider limits see CMS website)

- Physicians (including podiatrists, chiropractors)
 - Sole Practitioner: 10 medical records per 45 days per group NPI
 - Partnership 2-5 individuals: 20 medical records per 45 days per group NPI
 - Group 6-15 individuals: 30 medical records per 45 days per group NPI
 - Large Group 16+ individuals: 50 medical records per 45 days per group NPI
- Other Part B Billers (DME, Lab, Outpatient hospitals)
 - 1% of the average monthly Medicare services (max 200) per NPI per 45 days



Ensure Accuracy

- Each RAC employs:
 - Certified coders
 - Nurses and/or Therapists
 - A physician CMD
- CMS' New Issue Review Board provides greater oversight
- RAC Validation Contractor provides annual accuracy scores for each RAC
- If a RAC loses at any level of appeal, the RAC must return the contingency fee



Maximize Transparency

- New issues are posted to the web
- Major Findings are posted to the web
- RAC claim status website (2010)
- Detailed review results letter following all complex reviews

New Issue Review Process for **AUTOMATED**

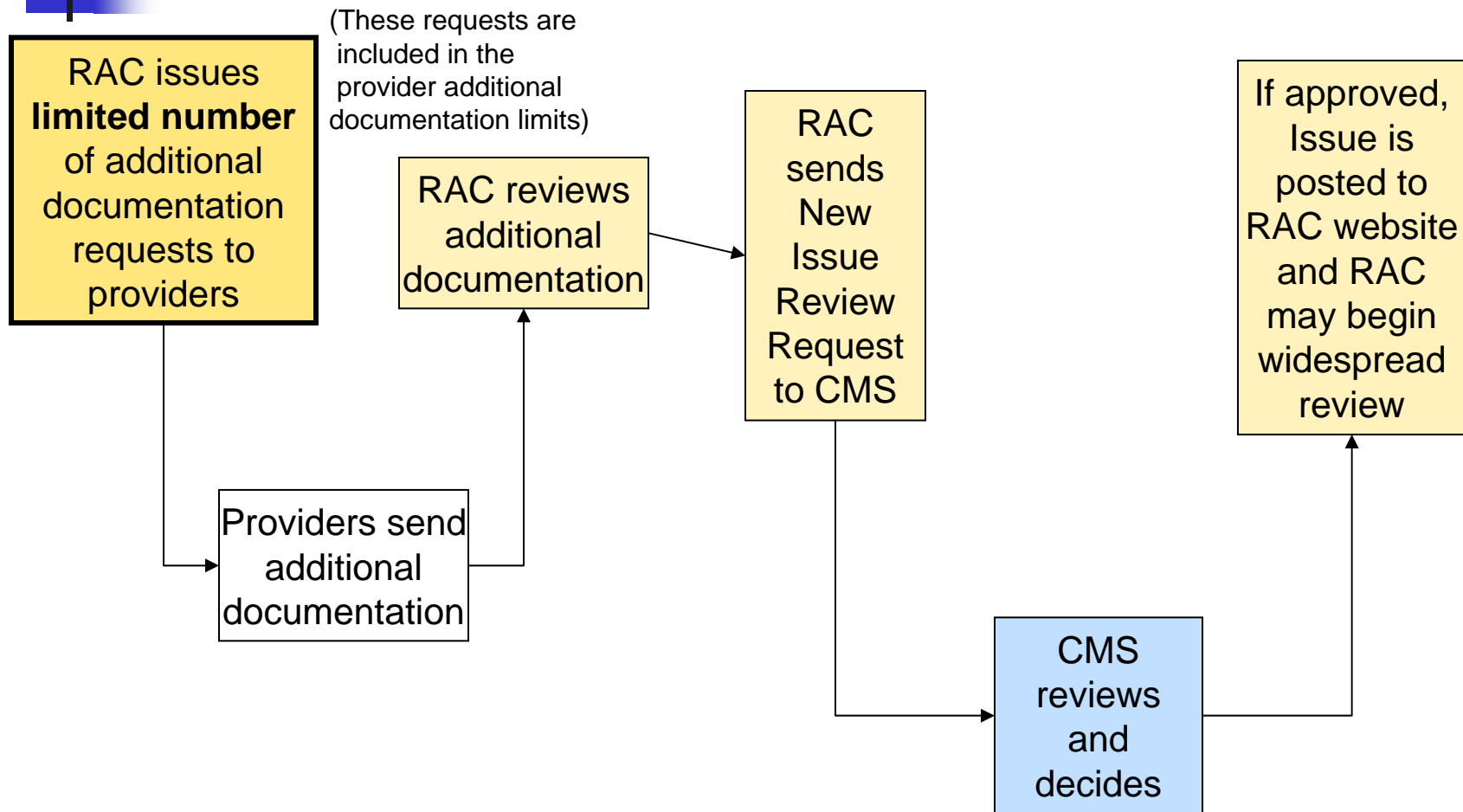
RAC sends
New Issue
Review
Request
to CMS

CMS
reviews
and
decides

If approved,
Issue is posted to
RAC website and
RAC may begin
widespread review

NOTE: **All**
demand letters
are sent AFTER
CMS has
approved the
New Issue for
Review

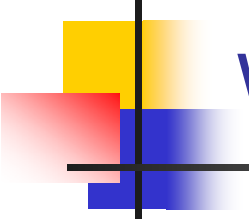
New Issue Review Process for **COMPLEX**





Are You Ready? Know Where Previous Improper Payments Have Been Found

- Look to see what improper payments were found by the RACs:
 - Demonstration findings: www.cms.hhs.gov/rac
 - Permanent RAC findings: will be listed on the RACs' websites
- Look to see what improper payments have been found in OIG and CERT reports
 - OIG reports: www.oig.hhs.gov/reports.asp
 - CERT reports: www.cms.hhs.gov/cert



Know if you are submitting claims with improper payments

- Conduct an internal assessment to identify if you are in compliance with Medicare rules
- Identify corrective actions to implement for compliance



Prepare to Respond to RAC Additional Documentation Requests

- Tell your RAC the precise address and contact person they should use when sending additional documentation request letters
 - Call RAC
 - No later 1/1/2010: use RAC websites
- When necessary, check on the status of your additional documentation (Did the RAC receive it?)
 - Call RAC
 - No later 1/1/2010: use RAC websites



Contacts

- RAC Website: www.cms.hhs.gov/RAC
- RAC Email: RAC@cms.hhs.gov
- Region A Contacts at CMS are:
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RAC Process

