

## Recovery Audit Contractor Permanent Program

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- ### Objectives
- Attendee will understand history and be able to give an overview of the RAC Program.
  - Attendee will state three strategies to employ in appeals and recoupment processes.

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### What do you know about RAC? (Open discussion)

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## Background

- CMS initiative under the Medicare Modernization Act
- 3 year demonstration program in CA, FL, & NY
- Expanded in 2007 to include MA & SC and Mutual of Omaha providers in all five RAC states
- Made permanent by the Tax Relief and Health Care Act of 2006
  - Nationwide by 2010
  - Two wave roll-out (March 1 – first wave)

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## Mission & Purpose

- Reduce Medicare improper payments for Medicare Part A and Part B services by:
  - Efficient detection and collection of overpayments
  - Identification of underpayments
  - Implementation of actions to prevent future improper payments

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## CMS Payments to RACs

- Contingency basis for all accurately identified overpayments
- Percentage basis for all underpayments identified and recovered

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### RAC Demonstration Findings

- FY 2006 RAC Status Report identifies \$299.5 million in “inappropriate” payments
- \$289.1 million in overpayments
  - \$64.6 million collected
  - \$224.5 million “in the queue”
- \$10.4 million in underpayments
  - \$2.9 million paid back
  - \$7.5 million “in the queue”
- \$12 million in contingency fees
- \$2.5 million in other costs (database development and reprocessing of claims)

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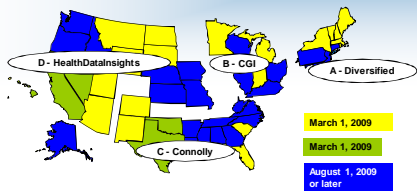
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### Recovery Audit Contractor (RAC) Permanent Program



PRG Schultz – Subcontractor for regions A, B & D  
 Viant – Subcontractor for region C  
 Please note: All dates are flexible

Note: Providers will only receive correspondence from the RAC. The subcontractor is “invisible” to the provider.

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### Permanent RAC Awards

- Region A: Diversified Collection Services, Inc.
  - Subcontractor: PRG-Schultz
- Region B: CGI Technologies and Solutions, Inc.
  - Subcontractor: PRG-Schultz
- Region C: Connolly Consulting Associates, Inc.
  - Subcontractor: Viant
- Region D: HealthDataInsights, Inc.
  - Subcontractor: PRG-Schultz

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### Examples of Differences Between the Demonstration and Permanent Programs

Topic	Demonstration RACs	Permanent RACs
Medical Director	Not Required	Required
Coding Experts	Optional	Required
Credentials provided	Not Required	Required
External validation process	Not required	Required
RAC must re-pay contingency if provider wins appeal	Only at first level	Required at all levels
Standardized provider letters	Not Required	Required
Maximum look-back period	3 years past date of initial payment	3 Years (not prior to 10/1/07)
Limits on medical record requests	Optional	Required (to be set by CMS)
Reason for review on provider letters	Not Required	Required
Time frame for RACs to pay for medical records	Not set	Within 45 days of receipt

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### RAC in Texas

- Automated Review-Black & White Issues (August 2009)
- DRG Validation-complex review (Aug/Sept 2009)
- Complex Review for coding errors (Aug/Sept 2009)
- Medical Necessity Reviews-complex review (calendar year 2010)
- Dates vary depending on MAC

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### Automated Review

- Data review only
- Certainty the service is not covered or is incorrectly coded
- Written Medicare policy, article or Medicare-sanctioned coding guideline exists
- Typically outpatient
  - Units of service/duplicate services
  - May see more of these initially

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### Complex Review

- Review of medical records by RNs, therapists or certified coders
- High probability a service is not covered or no Medicare policy, article or coding guideline exists
- Completed within 60 days of receipt of medical records
- Examples
  - Medical necessity/one day stays
  - DRG coding reviews

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### New Issue Review Process

- RAC internally identifies a potential issue for review
- May request up to a total of 10 sample records from providers
- If records confirm an issue exists, the RAC completes a new issue packet for CMS
- CMS reviews the packet and gives authorization
  - Authorization is per RAC
  - May be specific to a state or an entire region
- RAC may then proceed with reviews
- Issues must be posted on the RAC website

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### Types of RAC Correspondence

- Medical Record Request or "Pull List"
  - Letter from the RAC requesting medical records
  - Multiple requests may be on one letter
- RAC Review Findings Letter
  - Describes the outcome of the review
  - If denied, outlines the reasons why and gives the supporting references
- Demand Letter
  - Provides denial reason, appeal rights, and monetary impact

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### Correspondence from Other Contractors

- Rebuttal/Appeal Determination Letter
  - Response to the hospital or SSC regarding appeal outcome
  - Returned by the FI/MAC, QIC, ALJ, etc.
- Remittance Advice (RA)
  - Returned by the FI/MAC with claims processing information (payment, denial, adjustment, etc.)
  - Includes remark code N432 "Adjustment due to Recovery Audit"

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### Typical Process for Automated Reviews

- RAC reviews data using data review, algorithms, etc.
- If there is an improper payment, the RAC sends the demand letter and the FI/MAC sends a remittance advice with N432
- The appeals and recoupment process begins

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### Typical Process for Complex Reviews

- Provider receives requests for medical records and submits to the RAC within 45 days
- RAC responds with a review results letter
- RAC sends official demand letter and the FI/MAC sends a remittance advice with the RAC denial code
- The appeals and recoupment process begins

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## Part A Medical Record Limits

### Inpatient Hospital, IRF, SNF, Hospice

- 10% of average monthly Medicare **claims** (max of 200) per 45 days – per NPI

### Other Part A (Outpatient Hospital, Home Health)

- 1% of average monthly Medicare services (max of 200) per 45 days – per NPI
- “Services” defined by CMS as line item

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## Part B Medical Record Limits

### Physicians

- Solo Practitioner: **10 medical records per 45 days**
- Partnership of 2-5 individuals: **20 medical records per 45 days**
- Group of 6-15 individuals: **30 medical records per 45 days**
- Large Group (16+ individuals): **50 medical records per 45 days**

### Other Part B Billers (DME, Lab)

- 1% of average monthly Medicare services per 45 days

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## HCA's Experience

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### HCA's Experience Demonstration Program

- Hospitals
  - RAC began slow
    - Low volume first two years
    - Nearly 50% occurred in last month of demo
  - Massive record requests led to failures in record submission and missed deadlines
- One year post demo
  - Still processing appeals
- Appeal success rates are high

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### Demonstration Program

- Results similar yet different from CMS RAC Report
  - More medical necessity than DRG reviews
    - 73% of our improper payments due to medical necessity (one day stays)
- Very few outpatient claims
  - High cost drugs and OP units billed
    - EPO, Neulasta
- Underpayments small compared to overpayments
  - Discharge status

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### Assembling the Right Team

- Proactive preparation & anticipation
- Form multidisciplinary team for effective RAC response
  - HIM, Finance-Patient Accounts, Risk Management, Quality Assurance, Case Management, Physician Liaison and Legal Counsel
- Identify facility RAC Liaison – primary point of contact-have a understudy/backup
- Identify resources needed – budget impact (internal & external)

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### Establish a Process

- Prepare Information for Effective Review By Team
- Log each Demand Letter / Request for Medical Record into Tracking System
- Verify that the claim is open for RAC to review.
  - Do not assume RAC database is accurate
  - If you conclude line item on claim has already been reviewed, notify RAC, FI, QIO, etc.

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### Establish a Process Cont.

- Classify each demand by type of issue and \$\$ Impact
  - (e.g., Duplicate Payment, Beneficiary Service Not Covered, Not Medically Necessary, DRG recode, HCPCS Error, Units, etc.)

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### Establish a Process Cont.

- Review Every Demand
  - Do not delegate key decisions to only 1 person
  - Team should meet often and regularly to review new demands/requests / status of prior demands.
  - Prioritize review of claims by time remaining to respond; \$\$ impact; and volume of claims with common issues.
    - Goal is to avoid any technical denials

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### Establish a Process Cont.

- Review Every Demand-continued
  - Prioritize review of claims by time remaining to respond; \$\$ impact; and volume of claims with common issues.
  - Goal is to avoid any technical denials
  - If volume of requests / demands is determined to be excessively burdensome, formally request extension by RAC, notify CMS, and inform Association

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### Establish a Process Cont.

- Primary Responsibilities
  - Is RAC's determination of overpayment correct?
- Understand the specific rules / policies
  - Do not blindly accept RAC interpretation of rules/ guidelines
  - Look to see if policy / rule has changed over time
- If RAC is not following rules, notify Association / CMS ASAP with documentation

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### Establish a Process Cont.

- Have both Defensive and Offensive Strategies
- Vigorously appeal medical necessity denials
  - Medical necessity inherently subjective
  - LCDs have not been subjected to serious clinical scrutiny and change often
- Identify underpayments on both RAC targeted claims and other
- Request waiver of timely filing deadlines for identified underpayments

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## Establish a Process Cont.

- Repayments
  - When an overpayment occurred, determine and implement corrective action to avoid repeat
  - Ask for partial payment whenever possible
  - Determine if other payers will pay denied claim
  - Remember to address Co-payments / deductibles

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## Appeals Process

- Team should review appeal documentation to ensure it is complete, accurate and convincing
  - Share successful strategies with peers
  - Tracking database
  - Standard templates for specific denial types
  - Identification of practices resulting in denials
  - Assure timelines for medical record documentation requests are compliant
  - Create central repository for all communication between your facility and the RAC

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## Appeal Timeframes

Levels	Level One	Level Two	Level Three	Level Four	Civil Action
	Redetermination	Reconsideration	Administrative Law Judge (ALJ)	Departmental Appeals Board (DAB)	U.S. District Court
Contractor	Fiscal Intermediary (FI), Carrier or Medicare Administrative Contractor (MAC)	Qualified Independent Contractor (QIC)	ALJ	DAB	U.S. District Court
Provider Must Appeal Within:	30 days to stop the recoupment or 120 days from the RAC demand letter date	60 days to stop the recoupment* or 180 days from Redetermination date <small>*if recoupment previously held at 1<sup>st</sup> level</small>	60 days from Reconsideration date	60 days from ALJ decision date	60 days from DAB date
Contractor Response:	60 days	60 days	90 days	90 days	

As of February 2009  
Per the Interim Final Rule

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### Next Steps

- Continue to be Proactive
- Take immediate action when RAC letters are received
- Provide education to all impacted departments/individuals based on RAC findings
- Evaluate the need for external assistance and guidance to help navigate your internal RAC team through the process

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### Issues for Consideration

- Do not assume the RAC is "right"
- Review RAC decisions
- Hospital industry needs to be proactive
- Use the results of RAC to prospectively improve identified coding and documentation issues
- Uniform tracking on an industry basis is critical

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### Issues for Consideration Cont.

- Identification of Underpayments is in your interest
- Interim Payments versus settlement
- Establishing Criteria / Trigger Points for Appeals
- Interest Payments and Potential Differentials
- Other Payer Liabilities
- RAC Impact on Your Medical Staff

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### General RAC Concerns

- RACs may be exceeding their authority... medical necessity denials (inpatient rehab) vs. duplicate payment, inaccurate coding, payment policies
- Misuse of Medicare policy – treating guidelines as the law; not acknowledging medical discretion
- RAC retains contingency fee even if denial is overturned on appeal (so long as it makes it through “reconsideration”)

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### Potential Risks

- Review external reports
  - PEPPER, OIG, RAC
- Review internal reports
  - One day stay
  - DRG
- Use findings
  - Prepare for RAC implementation
  - Educate and taking corrective actions

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### Potential Medical Necessity Reviews

- One Day Stay/Short Stay - Inpatient
- Chest Pain
- Cardiac Pacemaker Implantation & Revisions
- Congestive Heart Failure
- Abdominal Pain/Gastroenteritis
- Dehydration/Malnutrition
- Diabetes Complications
- Transient Ischemic Attack (TIA)
- Cardiac Catheterizations without MI
- Hypertension

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### Coding

- Problematic MS-DRGs
- Patient discharge status code assignment
- POA assignment

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### Potential MS-DRGs

- Septicemia – MSDRG 870, 871, 872
- Extensive OR diagnosis unrelated to principal diagnosis – MSDRG 981, 982, 983
- Other circulatory system diagnosis – MSDRG 314, 315, 316
- Excisional debridement – MSDRG 463, 464
- Skin graft and/or debridement for skin ulcer or cellulitis – MSDRG 573, 574, 575
- Heart failure and shock – MSDRG 291, 292, 293
- Cardiac arrhythmia and conduction disorders – MSDRG 308, 309, 310
- Other respiratory system OR procedures – MSDRG 166, 167, 168
- Respiratory infections and inflammations – MSDRG 177, 178, 179
- Respiratory system diagnosis with ventilator support – MSDRG 207, 208

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### RAC Contact Information

- Region A – Diversified Collection Services, Inc.
  - [www.dcsclient.com/index2.asp](http://www.dcsclient.com/index2.asp)
  - 866.201.0580
- Region B – CGI Technologies and Solutions, Inc.
  - [www.cgi.com/web/en/home.htm](http://www.cgi.com/web/en/home.htm)
  - [racb@cgi.com](mailto:racb@cgi.com) or 877.316.7222
- Region C – Connolly Consulting Associates, Inc.
  - [www.connolly-consulting.com](http://www.connolly-consulting.com)
  - 866.360.2507
- Region D – HealthDataInsights, Inc.
  - [www.healthdatainsights.com](http://www.healthdatainsights.com)
  - [racinfo@emailhdi.com](mailto:racinfo@emailhdi.com) or Part A: 866.590.5598 Part B: 866.376.2319

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## Resources & Information

- **Link to RAC CMS Home Page**  
<http://www.cms.hhs.gov/RAC/>
- **Link to RAC Status Document:**  
<http://www.cms.hhs.gov/RAC/Downloads/RACStatusDocument--FY2006.pdf>
- **Crosswalk between CMS-DRGs and MS-DRGs**  
[http://www.cms.hhs.gov/acuteinpatientpps/downloads/CMSv24\\_MSv25map.zip](http://www.cms.hhs.gov/acuteinpatientpps/downloads/CMSv24_MSv25map.zip)

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"We've always encouraged our staff to learn by trial and error. Many of our top people have even been convicted."

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## Questions and Answers

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