Medicare's Recovery Audit Contractor Program: GAO's Assessment

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Introduction and Background

- Congress requested that GAO study Medicare's Recovery Audit Contractor (RAC) program and make recommendations for its continued improvement.

- Our report was issued March 31, 2010:

  Medicare Recovery Audit Contracting: Weaknesses Remain in Addressing Vulnerabilities to Improper Payments, Although Improvements Made to Contractor Oversight (GAO-10-143).

Introduction and Background (cont.)

- The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 required the Centers for Medicare & Medicaid Services (CMS) to implement a 3-year (2005-2008) RAC demonstration project to test whether RACs could effectively identify improper payments that could be recouped.
- The demonstration required RACs to review previously paid claims to identify payment errors.
- Improper payments identified by the RACs included duplicate payments for the same service or payments not in accordance with CMS policy.

Introduction and Background (cont.)

- As is typical of recovery auditing in general, CMS paid the RACs a contingency fee on overpayments collected and underpayments refunded.
- The RAC demonstration contractors primarily focused on hospital claims in California, Florida, and New York.
- A CMS status report in November 2006 indicated RAC demonstration project success in identifying improper payments.
- The Tax Relief and Health Care Act of 2006 required CMS to implement a national RAC program. CMS began implementing the national program on March 1, 2009.

Introduction and Background (cont.)

- Providers reported problems during the RAC demonstration project and expressed concerns that these issues be resolved before national RAC implementation. Among issues identified:
  - The contingency fee structure caused the RACs to "be aggressive" when determining payments were improper.
  - RAC staff were not qualified to determine medical necessity, resulting in appeals, many still pending at the end of the demonstration project.
  - CMS did not hold RACs accountable for the accuracy of their decisions.

Objectives

Our report examined the actions CMS took to:

1) Develop an adequate process and take corrective actions to address RAC-identified vulnerabilities that led to improper payments;

2) Build upon lessons learned from the demonstration project to resolve coordination issues in the national program between RACs and Medicare Administrative Contractors (MACs) –additional CMS contractors with claims payment and processing responsibilities; and

3) Establish methods to oversee the accuracy of RACs' claims-review determinations and the quality of RAC service to providers during the national program.

Scope and Methodology

- Reviewed CMS's Improper Payment Prevention Plan.
- Interviewed CMS officials, RAC staff, MAC staff, and representatives from provider associations.
- Reviewed key documents, such as the statements of work for RACs and MACs.
- Assessed RAC performance measures.

Summary of Results:
1) Addressing Vulnerabilities

- CMS did not establish an adequate process in the 3-year demonstration project or in planning for the national program to address RAC-identified vulnerabilities leading to improper payments.

- During the RAC demonstration CMS lacked a process to promptly:
  - Evaluate RAC findings.
  - Determine appropriate responses to RAC findings.
  - Implement corrective actions.

Summary of Results:
1) Addressing Vulnerabilities, cont.

- As a result, most of the RAC-identified vulnerabilities that led to improper payment have gone unaddressed.
- CMS and its contractors did not address 60 percent of the significant vulnerabilities identified.
- Corrective actions were not taken on $231 million of $378 million in overpayments identified.
- As of March 2010, CMS lacked an adequate process for implementing corrective actions during the RAC national program.

Summary of Results:
2) RAC and MAC Coordination

- Prior to the beginning of the RAC national program, CMS took action to resolve RAC and MAC coordination issues, such as
  - continuing regular vulnerability calls.
  - enhancing the data warehouse and developing an electronic documentation sharing system, and
  - automating the claims-adjustment process and establishing a “black-out period” for MAC claims review.

Summary of Results:
3) Oversight of RAC Accuracy and Service

- For the national program, CMS took steps to improve oversight of RAC accuracy and service to providers:
  - Established processes to review the accuracy of RAC determinations and required additional RAC medical expertise to enhance program accuracy.
  - Created Web site requirements for RACs designed to improve service to providers.
  - Developed performance metrics to monitor RAC accuracy and provider service.

Recommendations

- GAO recommended that CMS develop and implement a process that includes policies and procedures to ensure that the agency promptly:
  - evaluates findings of RAC audits,
  - decides on the appropriate response and a time frame for taking action based on established criteria, and
  - acts to correct vulnerabilities identified.
- GAO also recommended that CMS designate key personnel with appropriate authority to be responsible for ensuring that corrective actions are implemented and the actions taken are effective.
- CMS concurred with all our recommendations.

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