Dig Into RAC Preparation: Use Data Mining as a Preparation Strategy

March 2009
RAC Purpose

- To detect and correct overpayments and underpayments
  - Refund underpayments to the providers
  - Collect overpayments from the providers

Medicare receives 1.2 billion claims per year:
- 4.5 million claims per work day
- 574,000 claims per hour
- 9,579 claims per minute
Reasons for Incorrect Payment*

- Payments are made for services that do not meet Medicare’s medical necessity criteria.
- Payments are made for services that are incorrectly coded.
- Providers fail to submit documentation when requested, or fail to submit enough documentation to support the claim.
- Other reasons, such as basing claim payments on outdated fee schedules, or the provider is paid twice because duplicate claims were submitted.

*The Medicare Recovery Audit Contractor Program: An Evaluation of the 3-Year Demonstration, June 2008
**Average Overpayment Amounts**

<table>
<thead>
<tr>
<th>Type of Provider</th>
<th>Average Overpayment Amount</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Connolly*</td>
<td>HDI*</td>
</tr>
<tr>
<td>Per Claim</td>
<td>Per Provider Per Year</td>
<td>Per Claim</td>
</tr>
<tr>
<td>IP, IRF, SNF</td>
<td>$12,157</td>
<td>$483,774</td>
</tr>
<tr>
<td>OP</td>
<td>327</td>
<td>10,398</td>
</tr>
<tr>
<td>Physician</td>
<td>140</td>
<td>372</td>
</tr>
<tr>
<td>Ambulance, Lab, Other</td>
<td>--</td>
<td>---</td>
</tr>
<tr>
<td>DME</td>
<td>174</td>
<td>1,361</td>
</tr>
</tbody>
</table>

*Announced as permanent RAC*
Follow the Money!

- Review data sources
  - Own facility data
  - Comprehensive Error Rate Testing (CERT) Program
  - Office of the Inspector General (OIG) Audit Reports
  - www.hospitalbenchmarks.com
  - MedPar data
  - Facility Decision Support
  - Hospital Compare (http://www.cms.hhs.gov/HospitalQualityInits/11_HospitalCompare.asp)
  - www.Healthgrades.com
- Convert data to information
- Research difficult to code/bill areas
- Review each issue
- Perform chart and claim audit
- Communicate results
What We Know…

- The permanent RACs are to be nationally implemented by January 1, 2010
- The demonstration RACs have focused on for inpatients:
  - Surgical procedures in wrong setting (e.g. cardiac defibrillators)
  - Excisional debridements
  - Treatment for heart failure/shock in wrong setting
  - Respiratory system diagnoses w/vent support
  - Discharge status
  - Principal procedure does not match principal diagnosis
  - Respiratory system procedures
  - Respiratory infections (e.g. pneumonia)
  - Kidney & urinary infections
What We Know…

- The RACs have focused on for outpatients:
  - Neulasta (medically unnecessary)
  - Speech and Language service (medically unnecessary)
  - Infusion services
  - Drug codes (Oxaliplatin, Darbopoetin) incorrect

- The RACs have minimally reviewed at physician billing
Outpatient Example

- **SCENARIO**: An auditor identifies that there is a problem with tetanus vaccine charge. The tetanus vaccine (90703) is coded in chargemaster as tetanus immune globulin (J1670).

- **ISSUE**: Tetanus vaccine is packaged and tetanus immune globulin is reimbursed by CMS ($106/dose).

- **IMPACT**: 200 cases were identified as charged incorrectly.

- **RESULT**: $21,200 to be repaid
**Inpatient Example**

- **SCENARIO:** An auditor identifies that there is a coding problem with percutaneous transcatheter uterine artery embolization procedures performed in Radiology.

- **ISSUE:** Procedure is coded as 39.79 instead of 99.29 as advised by Coding Clinic, First Quarter 2001.

- **IMPACT:** MS-DRG 983 (RW 2.9737) is assigned instead of MS-DRG 761 (RW .5569).

- **RESULT:** Potential repayment could be $11,787.82 per case.
## CERT Program Results, May 2008

<table>
<thead>
<tr>
<th>Contract or Type</th>
<th>Total $ Paid (billions)</th>
<th>Overpayments (billions)</th>
<th>Underpayments (billions)</th>
<th>Overpayments + Underpayments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Payment</td>
<td>Rate</td>
<td>Payment</td>
</tr>
<tr>
<td>Carrier</td>
<td>$ 74.9</td>
<td>$ 3.2</td>
<td>4.2%</td>
<td>$ 0.2</td>
</tr>
<tr>
<td>DMERC</td>
<td>$ 9.9</td>
<td>0.9</td>
<td>8.9%</td>
<td>0.0</td>
</tr>
<tr>
<td>FI</td>
<td>$ 89.4</td>
<td>1.2</td>
<td>1.3%</td>
<td>0.1</td>
</tr>
<tr>
<td>QIO</td>
<td>$102.0</td>
<td>4.0</td>
<td>4.0%</td>
<td>0.5</td>
</tr>
<tr>
<td>All FFS</td>
<td>$276.2</td>
<td>$ 9.3</td>
<td>3.4%</td>
<td>$ 0.9</td>
</tr>
</tbody>
</table>
OIG Audits

- High dollar reimbursements/payments
  - IP - $100,000
  - OP - $50,000
  - SNF - $50,000
  - Physician - $10,000
- Units for oxaliplatin
- Skilled nursing facility excessive units
- Outpatient rehabilitation therapy services
- Units for blood clotting factor
- Outlier payments
- Power mobility devices
Potential Targets

- Cases with one CC/MCC
- Highly reimbursed cases
- High cost/reimbursed medications/biologicals
- Sepsis with line sepsis as secondary diagnosis
- High frequency cases (e.g. CHF with pleural effusion with respiratory failure; pneumonia with sepsis cases)
- Frequently rejected cases for medical necessity
Conclusion

- CMS is moving forward with the RAC Permanent Program
- RAC-type programs are growing among other payers
  - Medicaid Integrity Contractors
  - Third Party Commercial Payers DRG Validation Programs
- Medical necessity is a BIG deal
- Accurate billing is a focus
- Accurate coding is required
- Advantage is given to proactive research
  - October 1, 2007 payment date until the present
It only costs Medicare 22 cents for each dollar returned to the Trust Fund to operate the RAC Program.

--The Medicare Recovery Audit Contractor (RAC) Program: An Evaluation of a 3-Year Demonstration
Questions & Answers
Resources

- CMS Manual 100-04
- Wilson, Donna; “Recovery Audit Contractors (RACs)”; April 2007
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