

Hospitals and Medicare RACs



Medicare RAC Summit

Don May
American Hospital Association



Recovery Audit Contractors

Overview

- National Rollout
- Program Improvements
- AHA Activities for Hospitals



American Hospital
Association

RAC Demo Findings

RAC Impact: March 2006 to March 2008

Overpayments Collected: \$992.7 m

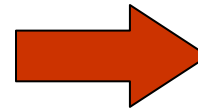
Less Underpayments Repaid: - (\$37.8 m)

Less \$ Overturned on Appeal: - (\$46.0 m)

Less PRG IRF Re-review: - (\$14.0 m)

Less Costs to Run Demo: - (\$201.3 m)

BACK TO TRUST FUNDS



\$693.6 m*

*Chart does not account for many pending appeals.

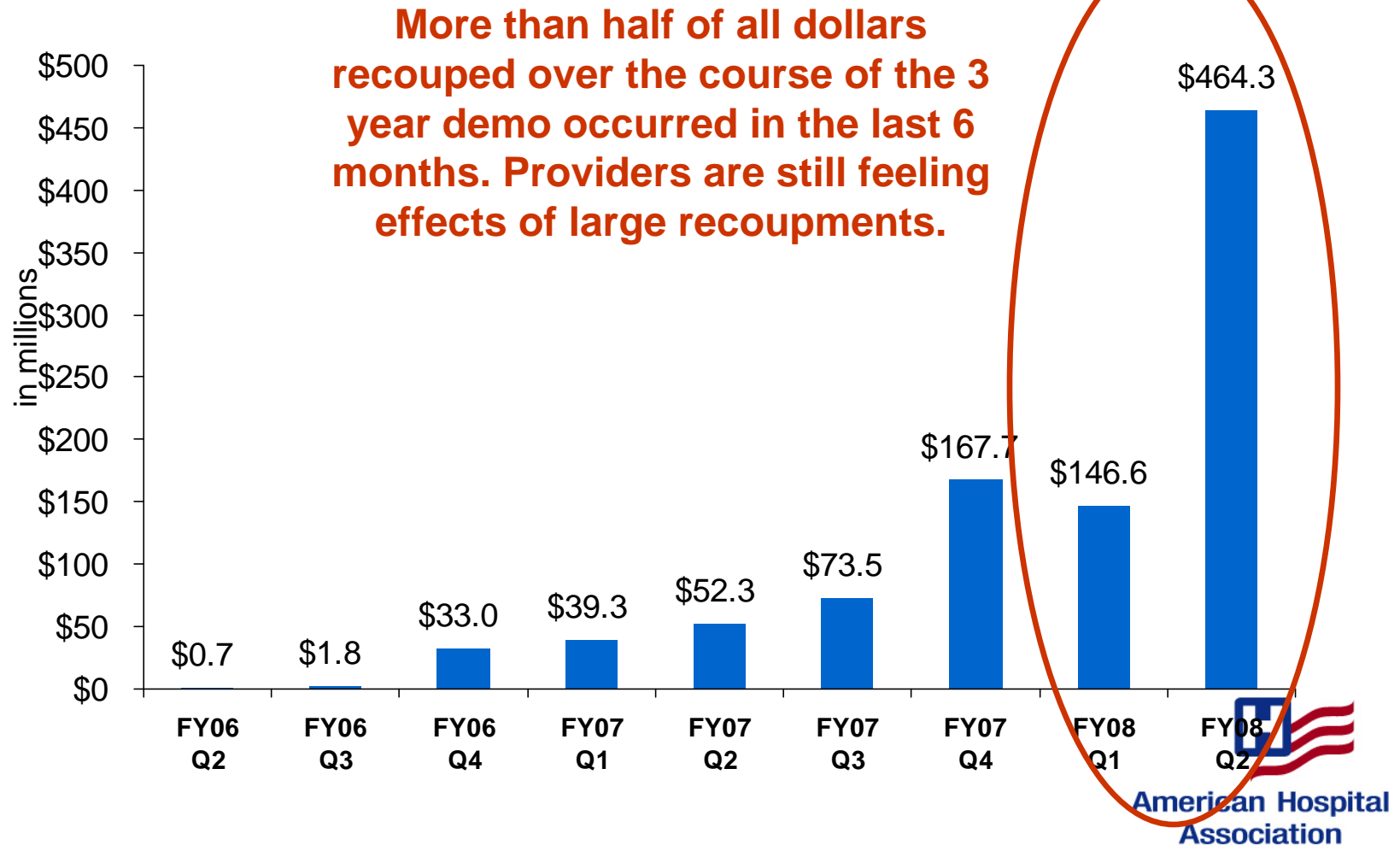
**95% from
Hospitals**



**American Hospital
Association**

RAC Impact on Hospitals

Overpayments Collected by Quarter:



RAC Demo Findings

RAC Appeals Experience to Date

	July 2008 Data thru 3-31-08	September 2008 Data thru 6-30-08	January 2009 Data thru 8-31-08
Total RAC Denials	525,133	525,133	525,133
Overall Appeal Rate	14.0%	19.6%	22.5%
Overturn Rate for Appealed Denials	33.3%	34.9%	34.0%
Overall Overturn Rate	4.6%	6.8%	7.6%

Source: CMS Demo Report Update to Appeals Numbers – www.cms.hhs.gov/rac



American Hospital
Association



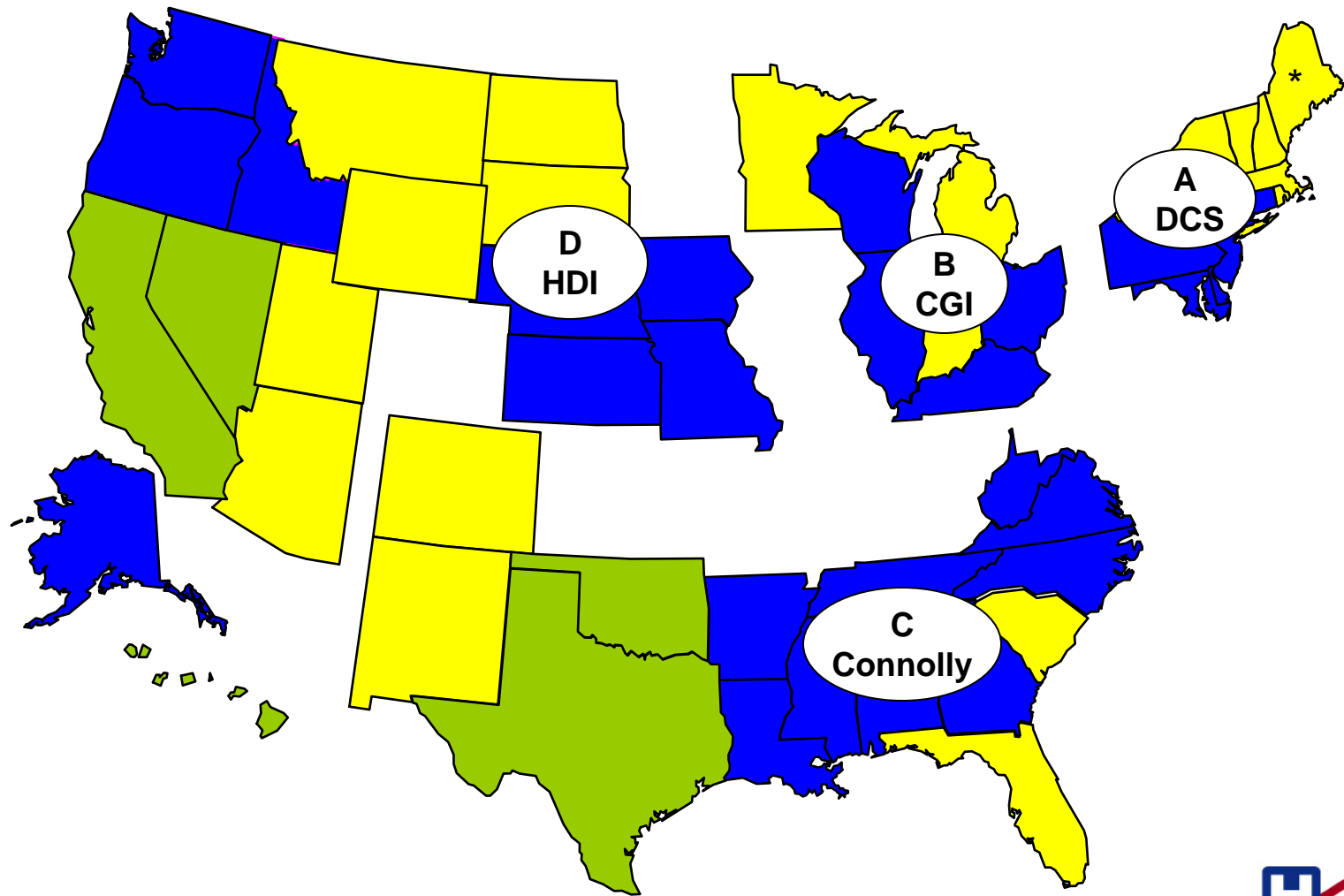
The Permanent RAC Program Rollout

BACK ON TRACK



American Hospital
Association

CMS' National Rollout Plan



March 1, 2009

March 1, 2009

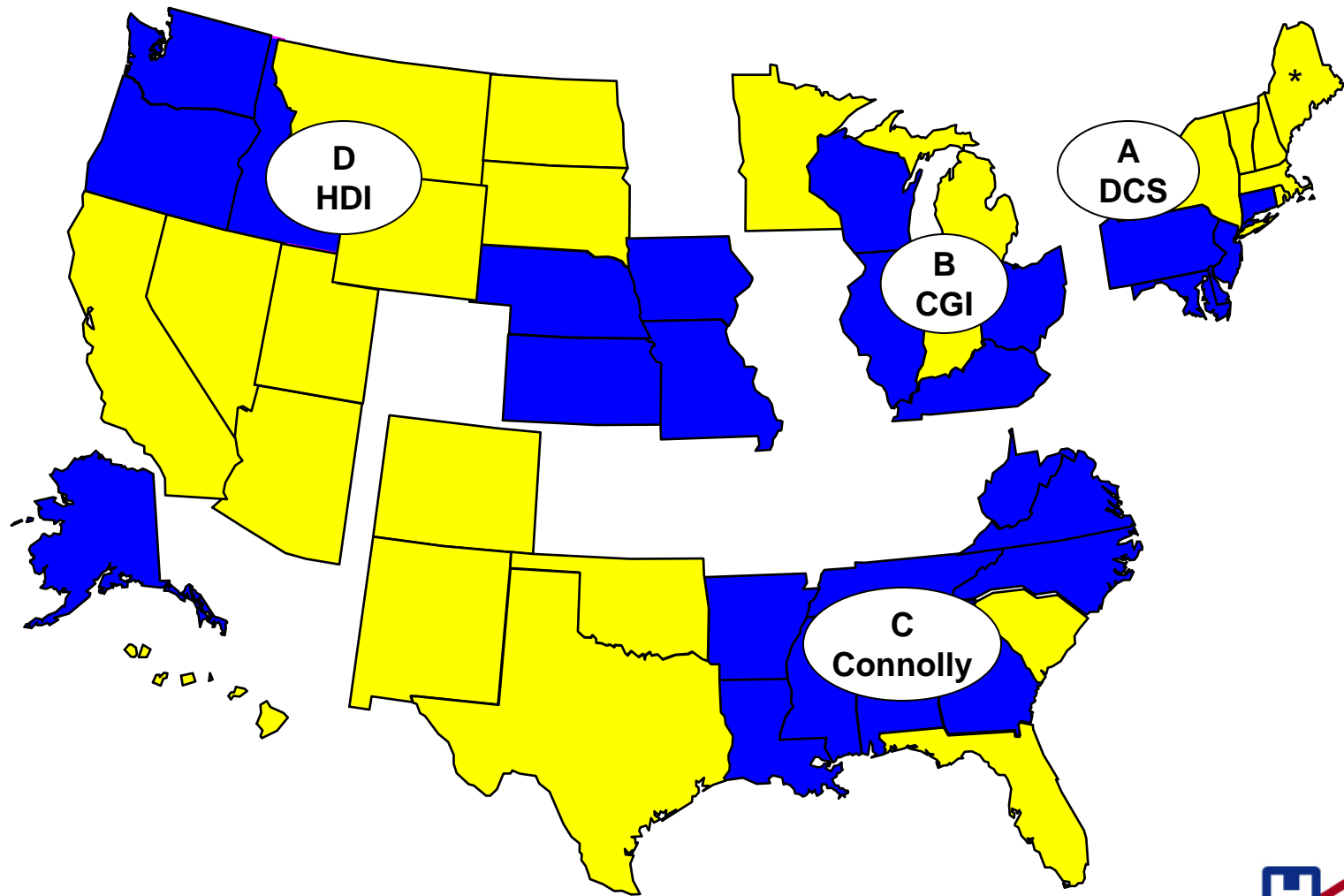
August 1, 2009 or later



American Hospital
Association

*VT, NH, ME, MA, RI, CT (J14) Part A claims (including Part B of A) will not be available for RAC review until August 2009 due to the MAC transition. Part B claims in RI will not be available for RAC review until August 2009 due to the MAC transition. All other Part B claims are available for RAC review beginning March 1, 2009.

CMS' National Rollout Plan



March 1, 2009

August 1, 2009 or later



American Hospital
Association

*VT, NH, ME, MA, RI, CT (J14) Part A claims (including Part B of A) will not be available for RAC review until August 2009 due to the MAC transition. Part B claims in RI will not be available for RAC review until August 2009 due to the MAC transition. All other Part B claims are available for RAC review beginning March 1, 2009.



The AHA View and Strategies Moving Forward



American Hospital
Association

AHA RAC Activity

- Work with CMS on administrative changes
 - Letters and continual discussions with CMS
 - RAC improvements for permanent program
- Push Congress for legislative relief
 - Capps-Nunes legislation (HR 4105)
 - Senate legislation
- Member Education
 - Collaboration and education with state, metro and regional hospital associations
 - Member advisories and education
 - *RAC*Trac: Collect data and RAC Impact



American Hospital
Association

RAC National Rollout

CMS Response to RAC Problems



- New Issue Review
- Notification of target areas on RAC website
- Validation contractor will audit RACs
- CMS will release an accuracy score for each RAC on an annual basis
- No contingency fee when denial is overturned at any level of appeal
- Three-year look-back period for review
- No claims with a payment date prior to October 1, 2007 will be reviewed, regardless of the actual start date for the RAC in a state.
- Requirement for a web-based application by 1/1/2010
- Required to have a medical director



**American Hospital
Association**

Summary of Medical Record Limits


- **Inpatient Hospital, IRF, SNF, Hospice**
 - **10%** of avg mthly Medicare paid claims (max of 200) per 45 days per NPI
- **Other Part A Billers (Outpatient Hospital, HH)**
 - **1%** of average monthly Medicare paid services (max of 200) per 45 days per NPI
- **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



American Hospital
Association

New Medicare Appeals Guidelines

- CMS Transmittal 141 Implements Section 935 of the MMA
- No funds recouped during first two stages of appeals process, if denial appealed within the first 30 days to the FI or first 60 days to the QIC
- Effective Date September 29



Click to show one page at a time

SPECIAL BULLETIN

February 27, 2008

New guidance improves appeals process for Medicare RAC denials

The Centers for Medicare & Medicaid Services (CMS) has, as required by law, issued new guidance for hospitals that are appealing payment denials by the agency and its contractors. This is a key improvement to the appeals process that was mandated by Congress five years ago in the Medicare Prescription Drug Improvement and Modernization Act (MMA). The new guidance, Transmittal 314, affects all Medicare appeals activity, including appeals of medical necessity review denials by fiscal intermediaries (FIs) and Medicare administrative contractors (MACs), along with appeals of payment denials by recovery audit contractors (RACs).

AHA had urged Congress to include this regulatory relief in the MMA, and asked CMS to implement the provision as part of our RAC advocacy efforts. This long-awaited improvement helps hospitals that are engaged in CMS' lengthy and burdensome appeals process, which often can run as long as 24 months.

Transmittal 314 implements Section 935(a) of the MMA, effective July 1, 2008, by preventing the recoupment of funds during the first two stages of the five-stage appeals process. Under the new guidance, when a Part A overpayment is found by a MAC, FI, or RAC, funds shall not be recouped for the first 30 days, to allow the provider to submit an appeal for redetermination – the first stage of the appeals process. If the initial overpayment determination is upheld, funds will be recouped starting 60 days later, unless the provider appeals to a qualified independent contractor (QIC) – the second stage of the appeals process. The FI may then begin recoupment if the denial is upheld, even if the denial is appealed again. The vast majority of appeals are concluded during the first three stages of the appeals process. The Transmittal notes that interest on the denied payment will continue to accrue, but will not be assessed if the denial is overturned in favor of the provider.

Click [here](#) to link to CMS' Transmittal 314.

Call (202) 626-2973 if you have problems receiving this fax.

More RAC Program Improvements are Needed

- **Exclude Medical Necessity Review – focus on Automatic Reviews**
- **Reduce RAC Look-Back Period from 3 years to 12 months**
- **Balanced focus on **Overpayments** and **Underpayments****
- **Adjust timely billing guidelines**
- **Re-billing claims**
- **Clarity on Medical Records Limits –**
 - **not more than 50 medical records per 45-day period, per national provider identifier (NPI) number**
 - **not more than 200 medical records per tax id number**
- **CMS investment in improved payment accuracy and processes**
 - ***More provider education***
 - **Centralized electronic tracking of RAC denials and appeals greater physician input for RAC audits**
- **Fast-track response to RAC errors**
- **Quarterly RAC public reporting**



**American Hospital
Association**

AHA Resources on RACs

February XX, 2008

The Honorable XXXX
U.S. House of Representatives
XXXX House Office Building
Washington, DC 20515

Dear Congressman XXXX:

SAMPLE LETTER

I am writing to express my strong support for the *Medicare Recovery Audit Contractor Program Moratorium Act of 2007* (H.R. 4105) and to ask that you co-sponsor this important legislation.

Authorized by the *Medicare Modernization Act of 2003*, the Medicare Recovery Audit Contractor (RAC) program was established as a demonstration project in selected states (NY, CA, FL) to identify improper Medicare payments, both underpayments and overpayments. The *Tax Relief and Health Care Act of 2006* made the RAC program permanent and authorized the Centers for Medicare & Medicaid Services (CMS) to expand the program to all 50 states by 2010. CMS already has expanded the program to South Carolina and Massachusetts, and in March, 15 additional states are scheduled to begin the program. By January 2009, CMS plans to expand the RAC program to all 50 states.

Throughout the three-state demonstration, RACs have aggressively targeted provider payments with little administrative oversight from CMS. For instance, an independent review of a sample of California RAC denials found that 40 percent were unwarranted. In addition, a contingency payment of as much as 30 cents of every Medicare dollar recouped by the contractor has resulted in sometimes abusive behavior by RACs toward Medicare providers.

Despite these problems, CMS intends to continue to expand the program nationwide. (Insert state here) is scheduled to come under RAC review in (March/October 2008/January 2009). H.R. 4105, introduced by Reps. Lois Capps (D-CA) and Devin Nunes (R-CA), would place a moratorium on all RAC activities for a year, allowing CMS time to address ongoing problems with the overall RAC program while giving the Government Accountability Office the opportunity to evaluate the effectiveness of the program as a whole. CMS needs to slow down the implementation of the RAC program, and a moratorium would give the agency the opportunity to assess and evaluate how the demonstration has worked as well as provide time to make improvement in program operations. It is critical that the problems encountered during the demonstration program be resolved before the proposed nationwide rollout moves forward, including a much-needed, expansive program of provider education.

Thank you again for your attention to this important issue. I look forward to working with you on issues of importance to America's community hospitals.

Sincerely,



Member Advisory

January 25, 2008

MEDICARE RECOVERY AUDIT CONTRACTORS (RACs): WHAT THEY ARE AND HOW THEY WORK

AT A GLANCE



Member Advisory

March 3, 2008

RECOVERY AUDIT CONTRACTORS (RACs): PREPARING FOR RAC AUDITS

AT A GLANCE

The Issue:

The Medicare Recovery Audit Contractor (RAC) program is authorized by Congress to identify improper Medicare payments – both overpayments and underpayments. The RAC program began operation in three states (California, Florida and New York) under a demonstration program and has since been expanded to two additional states (Massachusetts and South Carolina). The Centers for Medicare & Medicaid Services (CMS) plans to roll out a permanent, nationwide RAC program by 2010. As part of its rollout strategy, CMS intends to award contracts to four regional RACs by this April and begin review activity in all states by January 2009. The *Medicare Recovery Audit Contractor Program Moratorium Act of 2007* (H.R. 4105), which would establish a one-year moratorium on the RAC program, was introduced last year in the House, but no action has yet been taken.

CMS recently reported that RACs collected \$357 million in overpayments from Medicare providers in the three early demonstration states during fiscal year 2007, with 92 to 94 percent of these funds collected from hospitals. To avoid RAC denials under the fully implemented program, hospitals should pay special attention to ensure appropriate admissions, coding and documentation practices, which are likely to be scrutinized by RACs.

This advisory highlights the types of inpatient claims that were targeted during the RAC demonstration and some strategies and tools your organization can implement to minimize the impact of future RAC audits. *This information is provided only as a guideline. Consult with legal counsel and your financial experts before finalizing any policy or practice.*

What You Can Do:

Although we are urging Congress and CMS to make changes to the RAC program, the AHA is advising hospitals to begin preparing for RAC reviews. Hospitals should start by assembling an internal RAC team to plan and implement process improvements to reduce RAC vulnerabilities, including a self-audit to identify RAC risks. Please share this advisory with other hospital leaders and your RAC team to learn about likely targets under the national RAC program and to determine which tools and strategies in this advisory would be most effective in helping your hospital ensure Medicare claims accuracy.

Further Questions:

Please contact AHA Member Relations at 1 (800) 424-4301 or email RACinfo@aha.org.

AHA's Member Advisories are produced whenever there are significant developments that affect the job you do in your community. A 13-page, in-depth examination of this issue follows.

identify
d on a
nd collect
ifornia,
achusetts and
t a
award
tes would
dit
year
taken.

RAC
ogram over
quirements
ents, as
s. The AHA
e changes

e
d to

the job you do



hospital
tion

VISIT AHA WEBSITE
www.aha.org/rac

AHA Resources on RACs



- Upcoming Member Advisories
 - Medicare Appeals Process (Section 935) – February
 - RAC 102 – March/April
 - Successful Strategies for RAC Appeals – April/May
- Upcoming Calls
 - AHA calls on Medicare Appeals Process – March
 - AHA calls on RAC 102 Advisory – April
 - AHA calls on Effective Appeals – May
 - AHA calls for hospitals in each RAC region – July
 - AHA RACTrac webinar series – TBD

Listing of all calls and registration materials can be found at
<http://www.aha.org/aha/issues/RAC/educational.html>



American Hospital
Association

Data Collection on RAC IMPACT



*RAC*Trac

www.aharactrac.org

Coming Soon!



American Hospital
Association

RACTrac coming soon!

AHA RACTrac - Microsoft Internet Explorer


File Edit View Favorites Tools Help

Back Forward Stop Reload Home Search Favorites

Address <http://www.aharactrac.org/home/> Go Links

Web Search Bookmarks Settings Mail My Yahoo! Fall TV Answers Games Anti-Spy

AHA RACTrac Add Tab




RACTrac

Welcome

Hello welcome!! The American Hospital Association (AHA) created RACTrac, a Web-based national advocacy survey tool that will ask hospitals to report their Medicare Recovery Audit Contractor (RAC) experience on a quarterly basis. AHA also offers a basic Excel template to help hospitals track claims to respond to the RACTrac survey. This template and other tools will be available soon at www.AHARACTrac.org, with data collection beginning this fall. AHA will use the aggregate data from RACTrac to identify trends and to advocate for needed changes to the program. Watch for OHA-sponsored RAC education and training opportunities once the regional RAC is identified.

The American Hospital Association (AHA) created RACTrac, a Web-based national advocacy survey tool that will ask hospitals to report their Medicare Recovery Audit Contractor (RAC) experience on a quarterly basis. AHA also offers a basic Excel template to help hospitals track claims to respond to the RACTrac survey. This template and other tools will be available soon at www.AHARACTrac.org, with data collection beginning this fall. AHA will use the aggregate data from RACTrac to identify trends and to advocate for needed changes to the program. Watch for OHA-sponsored RAC education and training opportunities once the regional RAC is identified.

Login



User ID

Password

Login

[Register >](#)

[Forgot Password >](#)

Contact Us

Email Address

Organization Name

State

First Name

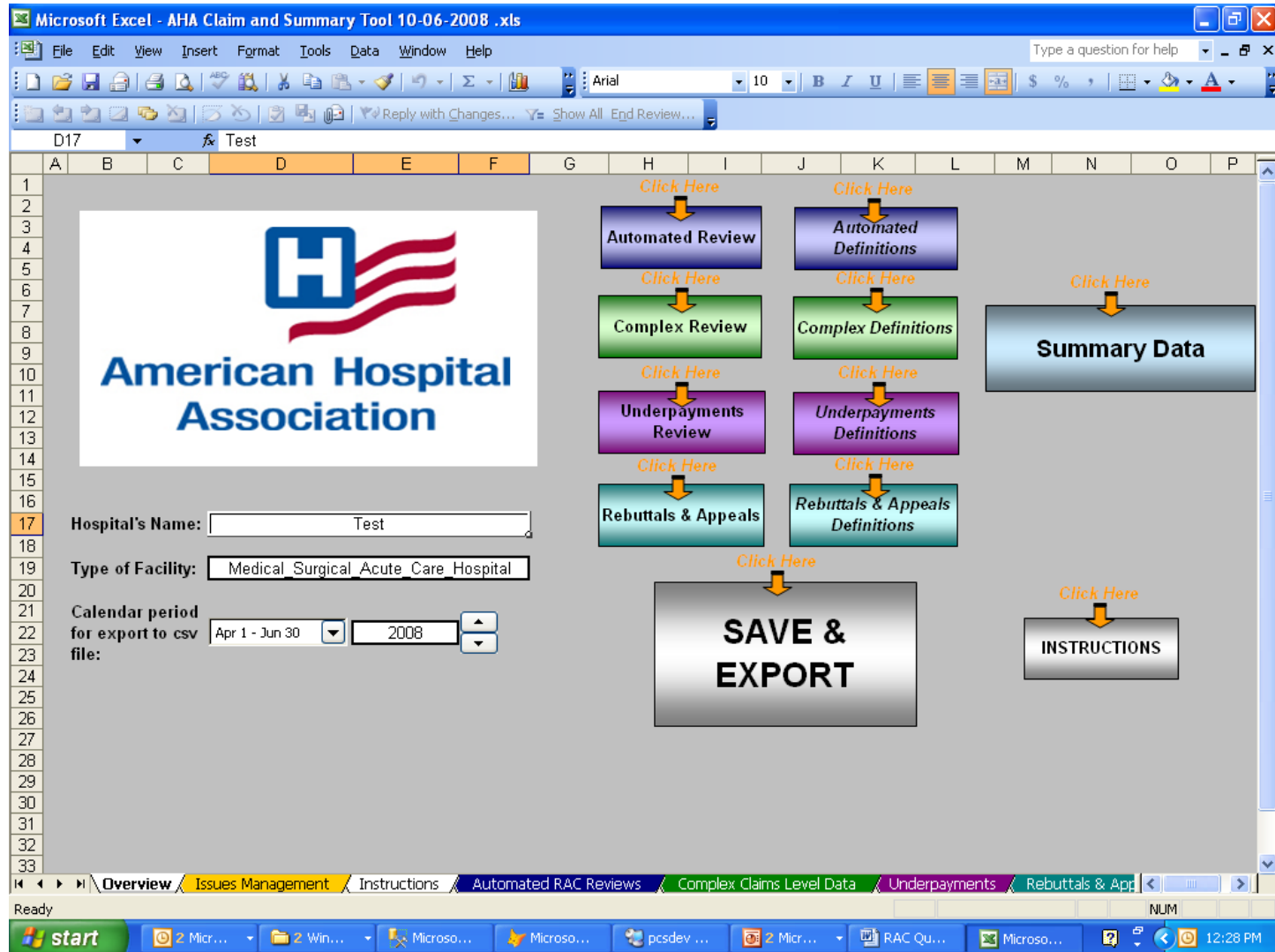
Last Name

Questions/Comments

0 of 400

Submit

Free Claim Management Tool



Available at www.aha.org/rac in late November