



Results of Best Practice Research on Hospital RAC Management

Preventing and Redressing Audit-Generated Takebacks

Bringing Best Practice Insight to Hospitals and Health Systems

The Advisory Board Company In Brief



Advisory Board Memberships



Compass



H*Works



The Academies

Best Practice Research

- 2,600 Hospitals and Health System Members
- Serving 100 Largest U.S. Health Systems
- 50+ Annual Best Practice Initiatives
- 150+ Research Consultants and Analysts

Business Intelligence Platform

- Ten Programs – Revenue Cycle, Self Pay, Patient Access, Revenue Integrity, Surgery, Spend Nursing, ED, Quality and Crimson
- Optilink Nursing Staffing and Scheduling
- 700+ Hospital Partners

Operations and Strategy Consulting

- 600+ Hospital and Health System Engagements
- 50+ Professional Consulting Staff
- *Modern Healthcare* Top 10 Consulting Firms

Training and Leadership Development

- 600+ Hospital and Health System Clients
- 30,000 Executive Participants
- 70 Faculty and Training Development Staff
- Largest U.S. Hospital Training Company

The Advisory Board Revenue Compass Initiatives

Combining Best Practice Research with Hospital Information to Elevate Data Visibility and Revenue Performance

Revenue Cycle Compass

Supporting hospitals in elevating performance across the revenue cycle

Self-Pay Compass

Supporting hospitals in responding to undercompensated care

Patient Access Compass

Supporting hospitals in ensuring front-end revenue cycle accuracy and efficiency

Revenue Integrity Compass

Supporting hospitals in responding to RAC overpayment determinations

Generating Significant Impact on the Revenue Cycle

\$1.2 Billion in Bottom Line Benefit

- \$287 M in Bad Debt Reductions
- \$537 M in Denial Reductions
- \$344 M in Charge Capture Increases

Unequaled Financial Management Expertise

- 250+ Best Practices with Implementation Support
- 100+ New Case Study Profiles Each Year

Representative Case Study Results

- \$1.2 M Reduction in Cost-to-Collect in Revenue Cycle Operations
- \$320 K Annual Reimbursement Increase through Automated Eligibility

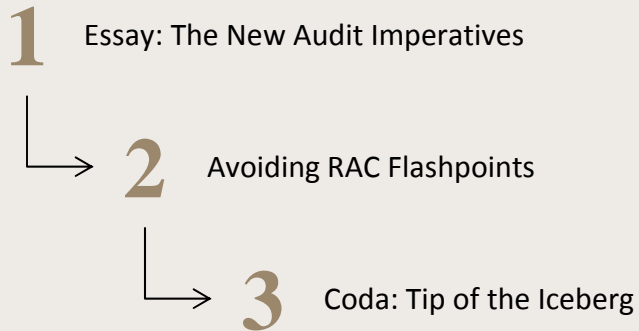
Revenue Cycle Engagement Results

- Average Reduction in AR Days.....13%
- Average Reduction in Bad Debt.....15%
- Average Reduction in Denials.....33%
- Increase in Point-of-Service Cash...250%

Sampling of Partner Hospitals

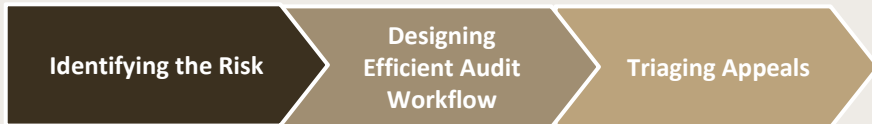
- | | |
|------------------------------------|----------------------------------|
| • Baptist Health System | • Richardson Regional |
| • Blessing Health System | • Riverside Health System |
| • Cleveland Clinic | • Roger St. Francis Healthcare |
| • Evanston Northwestern Healthcare | • Saint Joseph's Health System |
| • Flagler Medical Center | • Saint Joseph's Hospital |
| • H. Lee Moffitt Cancer Center | • The Methodist Hospital System |
| • Komenauk General Hospital | • University of Kentucky Medical |
| • MidMichigan Health | • Northern Michigan Hospital |
| • VCU Health System | |

Road Map for Discussion



Three Audit Flashpoints

Potential Pitfalls in Responding to RAC



#1 Ignorance of True Risk

Assessing RAC exposure

#2 Poor Workflow and Tracking Mechanisms

Managing the audit process

#3 Scattershot Appeals Process

Strategically navigating RAC appeals

Avoiding RAC Flashpoints

Preventing and Redressing Audit-Generated Takebacks

I

Ignorance of True Risk

1. RAC Risk Assessment Toolkit
2. Customized Data Mining

II

Poor Workflow and Tracking Mechanisms

3. RAC Audit Leadership
4. Record Retrieval and Submission Strategy
5. RAC Simulation Exercise
6. Comprehensive Tracking Tool

VII.

Scattershot Appeals Process

7. Templated Appeals Documents
8. Batched Appeals
9. Expert ALJ Consult
10. Appeals Performance Analysis

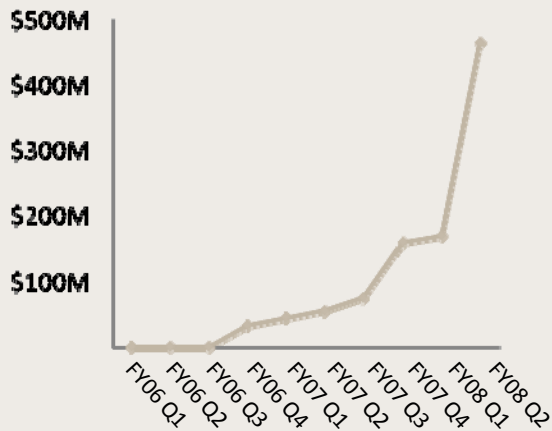


*Flashpoint #1:
Ignorance of True Risk*

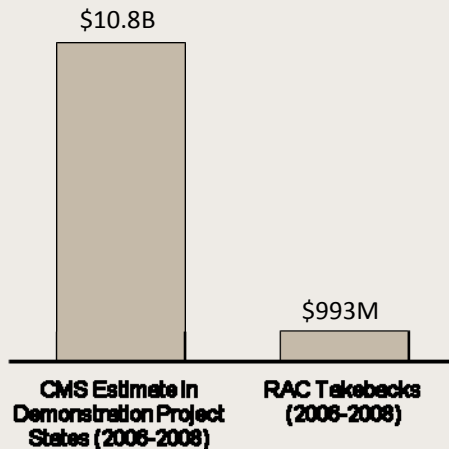
What They're Not Telling You

The RACs Will Continue to Get Better Over Time

Overpayments Collected by Fiscal Quarter



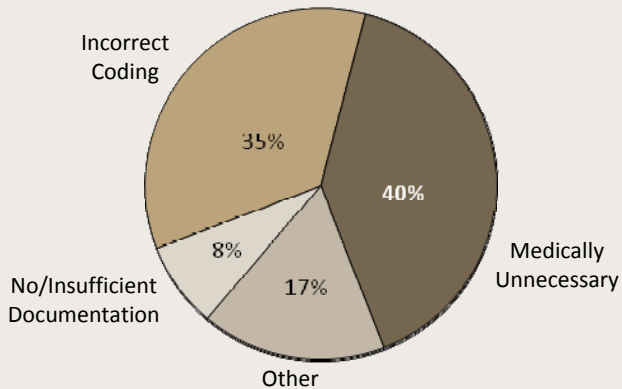
Medicare Improper Payments



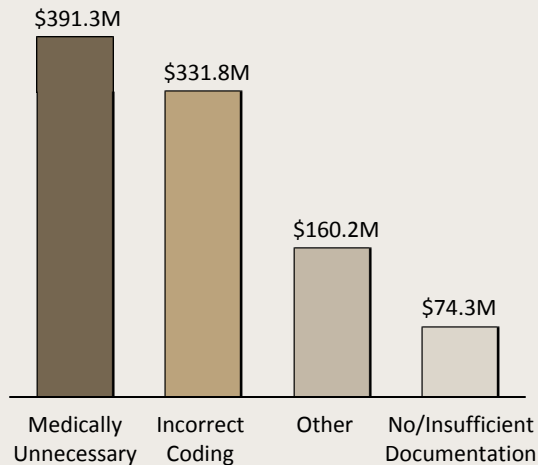
A Window to the Future?

Top Demonstration Program Target Areas

Overpayments Collected by Error Type
Cumulative through 3/27/08



Value of Overpayments Collected (Net of Appeals)
Cumulative through 3/27/08



A Universe of Opportunity

RACs Not Limited to Demonstration Targets

Less Publicized RAC Program Target Areas Capable of Overwhelming Hospitals

HFMA Expected RAC Targets



Acute care discharge disposition conflicts with post-acute provider visits

DRG 148- Major Bowel Procedures

Inpatient rehabilitation admissions

DRG 416 - Sepsis

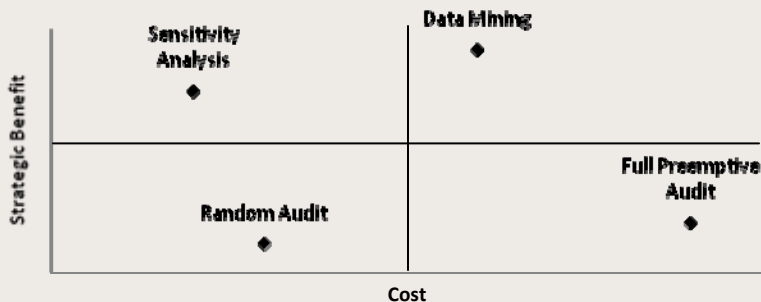
Three day SNF qualifying acute care inpatient stays

Claims not combined before billing

DRG 397 - Coagulopathy

Measuring Your Risk

Preemptive Audits Assess Vulnerabilities



Full Preemptive Audit

- Brute force audit would entail pulling all claim and charts for manual review
- The process would take at least three to five months
- The audit would cost at least \$100,000 and requires immediate reimbursement of overpayment findings to the Medicare Trust Fund

Random Audit

- Conducting a random audit would entail pulling 100-200 claims for manual review and extrapolating risk areas for the larger claims pool
- Small sample size and low at-risk percentages can make extrapolation inaccurate
- Inaccurate results could lead to the failure to identify serious vulnerabilities or problem claims

Sensitivity Analysis

- Completing a sensitivity analysis would involve developing algorithms to identify claims in the MEDPAR dataset that RACS may scrutinize
- Reasonably estimates total potential revenue-at-risk for RAC takebacks
- Minimal up-front investment is spread over unlimited ongoing, sensitivity analyses

Data Mining

- Using data mining to identify risk exposure would entail loading closed claims data into a data mining tool like the Revenue Integrity Compass (RIC)
- Customized rule set identifies claims at-risk for RAC takebacks
- Moderate up-front investment is distributed over unlimited ongoing, low-cost risk assessments

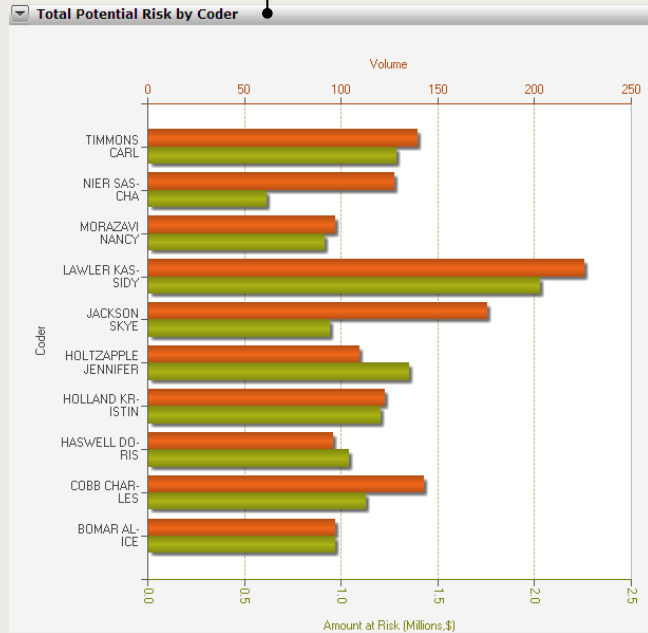
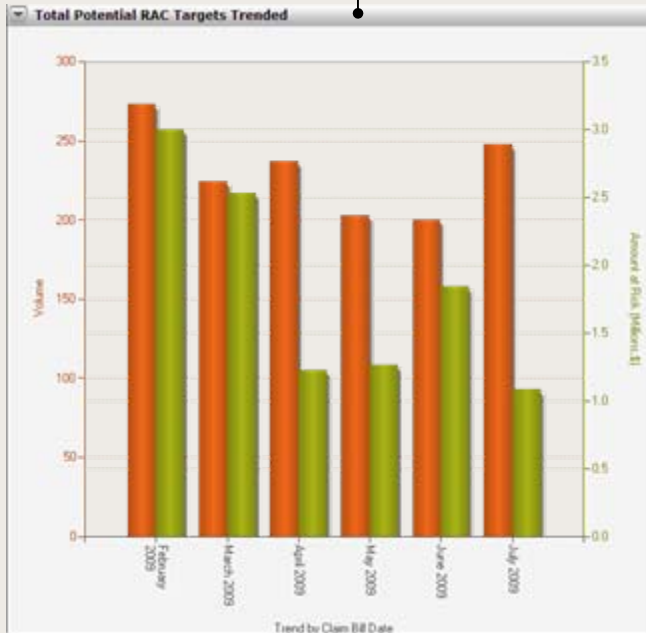
Going One Step Further

Data Mining Tools Offer Dynamic Risk Assessments

Source: Advisory Board Company's Revenue Integrity Compass (RIC) Data Mining

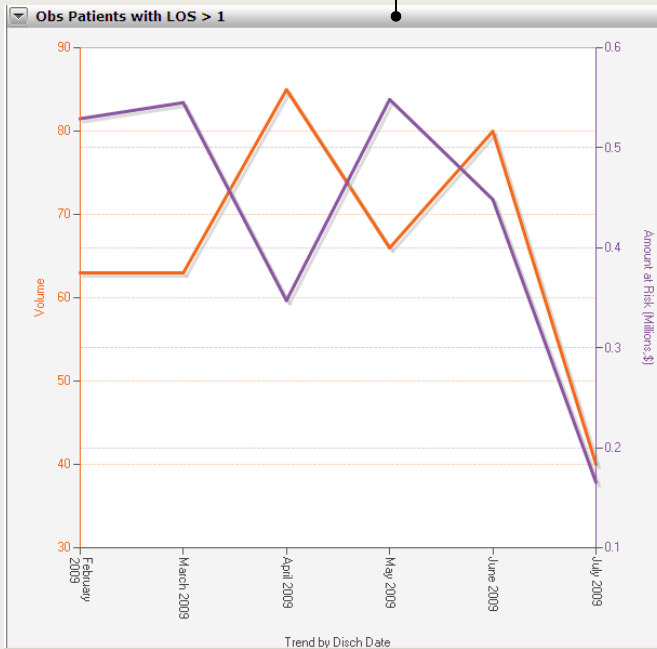
Trended aggregate risk exposure

Finer granularity: staff-level views



Continuous Risk Factor Analysis

Tracking key metrics that are linked to audit risk

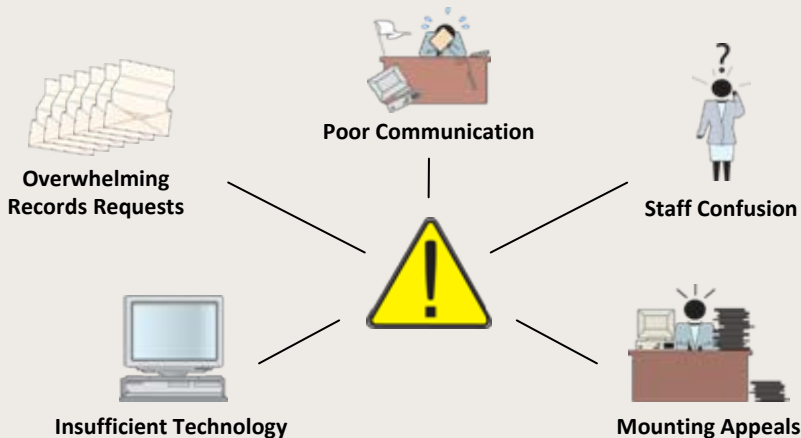




*Flashpoint #2:
Poor Workflow and Tracking Mechanisms*

A Demonstration Disaster

Hospital Staff Overwhelmed by Audit Process



Case in Brief



Kimble Hospital¹

- A 680-bed hospital located in the Southeast
- Received as many as 800-1,000 record requests per month, totaling \$11M in value
- Overwhelming volume resulted in missed deadlines, inability to use Excel-based tracking tool, increased administrative costs, and delayed reimbursement for appeals won

¹ Pseudonym

Landmines Throughout Audit Process

RAC Audit Workflow



- Unexpectedly high volume of requests
- No triage capability (insufficient staff and technology)

- Poor coordination between staff
- Decentralized document storage

- Incomplete documentation
- Incorrect destination

Multiple Failures:

- Lack of accountability for RAC audit process
- Non-standardized work flow for processing record requests
- Insufficient tracking mechanisms

A Single Point of Contact

Establish a RAC Coordinator as Process Owner

Professional Background

- Patient Financial Services (PFS)
- Health Information Management (HIM)
- Compliance
- Case Management

Skills and Attributes

- Excellent communication skills
- Excellent organizational skills
- Strong leadership qualities
- Positive professional relations with peers, medical staff
- Knowledge of Medicare reimbursement and coding structures
- Familiarity with patient medical charts

Duties

- ✓ Provide staff education
- ✓ Assemble and facilitate RAC response team
- ✓ Develop and implement workflows
- ✓ Create and oversee communication plan for RAC requests and denials
- ✓ Implement tracking system to prevent missed deadlines
- ✓ Monitor overall RAC impact
- ✓ Implement changes to organizational practice, policies, and procedures where needed
- ✓ Communicate regularly with stakeholders

Enfranchise Key Players

RAC Committee Responsible for Audit and Appeals Oversight



















Department	Responsibilities
Health Information Management (HIM)	<ul style="list-style-type: none">• Processing RAC requests• Coding, DRG assignment reviews
Compliance	<ul style="list-style-type: none">• Regulatory oversight• Tracking RAC correspondence
Patient Financial Services	<ul style="list-style-type: none">• Financial tracking of RAC payments, denials• Coordinating medical documentation and appeals submissions
Case Management	<ul style="list-style-type: none">• Medical necessity reviews
Clinical Departments	<ul style="list-style-type: none">• Medical necessity reviews• Appeals approval, support

Going beyond Microsoft Office

Excel & Access Lack the Robust Functionality Required for RAC Tracking

RAC Solution Functionality Mapping

Software Suite	Ability to Set Reminders	Pre-loaded Claims	Task Assignment	Worklist Generation	Appeals Reporting	Takeback Tracking	Appeals Analytics
MS Excel/Access 							
Focused Process Tracking Tool 							

Usability Key Factor

Automatic Notifications: Setting Alerts

Records Requested

Owner	0-5 Days	5-10 Days	10-15 Days	15-20 Days	20-30 Days	30+ Days
Jones, D.	1	3	5	8	8	16
Hammond, J.	2	23	11	11	4	3
Johnson, F.	0	4	11	11	13	18
Williams, R.	1	2	11	11	19	9
Smith, D.	0	6	11	11	15	21

Items per Level 10

Drilldown
Alert
Target
History
Forecast

Alerts tied to key metrics
(new claims, revenue at
risk, total takebacks, etc.)

User-assigned alerts and
priority flags

Alert Control Desk

AR

ACCOUNT STATUS : Active ORIGINAL FINANCIAL CLASS : PVP - PRIVATE PAY METRICS : AR Outstanding

Alert name:

Current value: 15287119.24

Send alert when value is:

% Increase
 % Decrease

Alert notice priority:

- Critical
- Urgent
- Attention
- Information
- Positive

Reminder:

Deliver alert notice to:

Email: separate multiple addresses with a semicolon (;)

(and / or)

User(s):

Message:

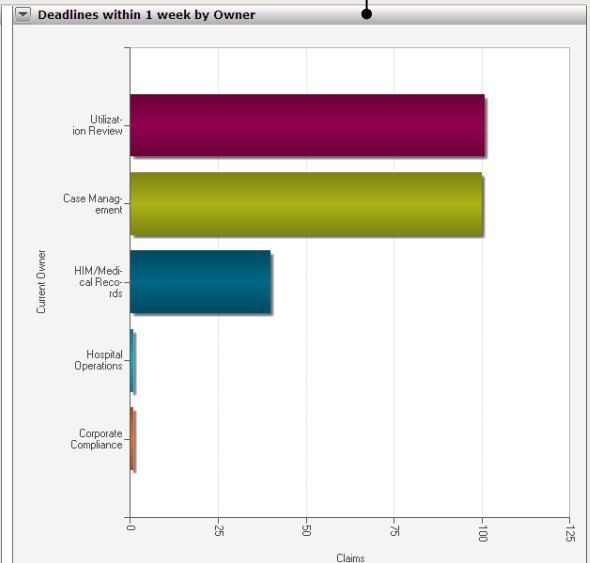
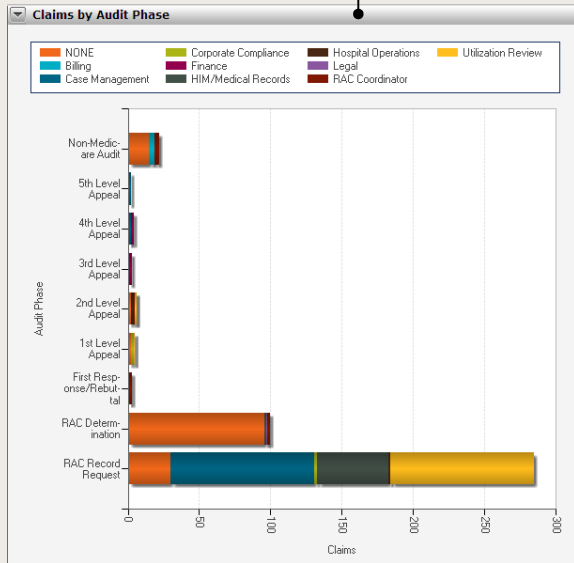
Include a report:

- Attach report to notification (note that files larger than 512KB or that contains patient information will not be sent)
- Protect document with password: (Requires WinZip 9.0 or higher)
- Do not protect document (not recommended - learn more about [file security in help](#))

An Informed Workflow

Detailed claim status tracking through audit, determinations, and appeals process

Monitoring RAC deadlines against internal workflow components



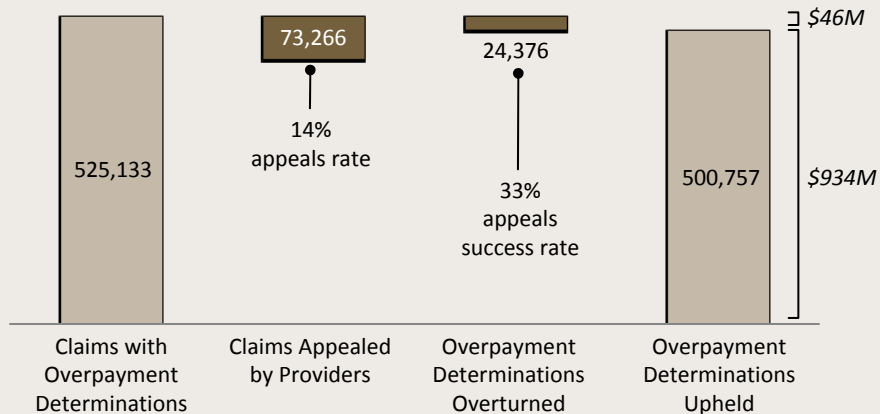


*Flashpoint #3:
Scattershot Appeals Process*

The View from Above

Overpayment and Appeals Determinations from RAC Demonstration

Cumulative Through 3/27/2008



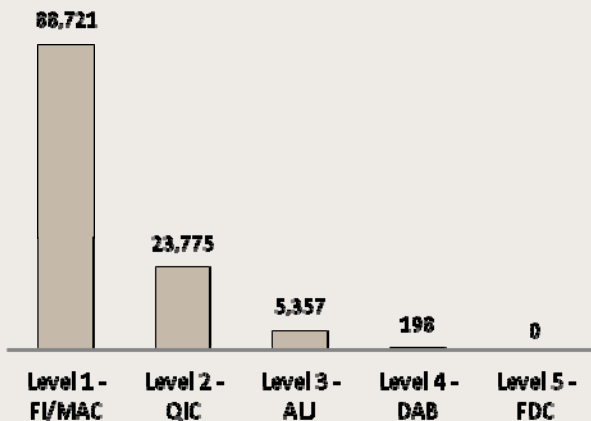
RAC-in-Brief

- The Recovery Audit Contractor (RAC) program was created through the Medicare Modernization Act of 2003 to identify and recover improper Medicare payments paid to healthcare providers in fee-for-service Medicare.
- Over the 3-year demonstration project in five states, the RACs identified more than \$1 billion in overpayments and recovered nearly \$850 million from inpatient hospitals.
- In 2006, Congress mandated the establishment of a nationwide RACs program aimed at identifying and recovering overpayments to providers. The program will come online in all 50 states by December 31, 2009.

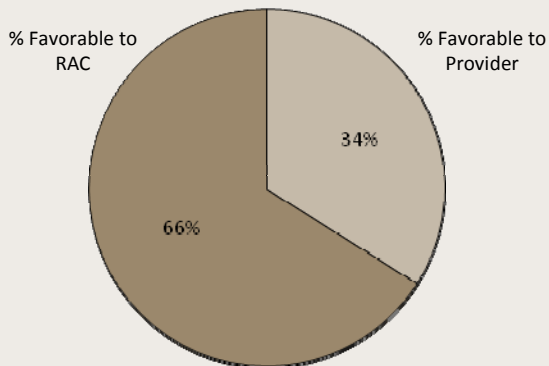
Moderate Appeals Success

Few Appeals in Demonstration Went Beyond ALJ¹

Provider Appeals of RAC-Initiated Overpayments
RAC Part A and B Claims Combined (8/31/2008)



Success Rate of Provider Appeals
RAC Part A and B Claims Combined (8/31/2008)



¹Administrative Law Judge

Appeals Strategies Varied

Consider All Factors Before Moving Forward

Three Primary Appeals Strategies

#1: Global Appeals Strategy



- All RAC takebacks are appealed regardless of the medical or financial support for appeal
- Common practice during the RAC demonstration when CMS did not charge interest on lost appeals
- This strategy places added risk and an administrative burden on hospitals; not recommended going forward

#2: Medically Accurate Appeals Strategy



- RAC takebacks are appealed only after a medical review determines viable evidence to support case arguments
- Most popular practice during the RAC demonstration, especially among hospitals with high volume of takebacks
- This strategy should be the baseline criteria for hospitals to pursue an appeal

#3: Cost-Benefit Appeals Strategy



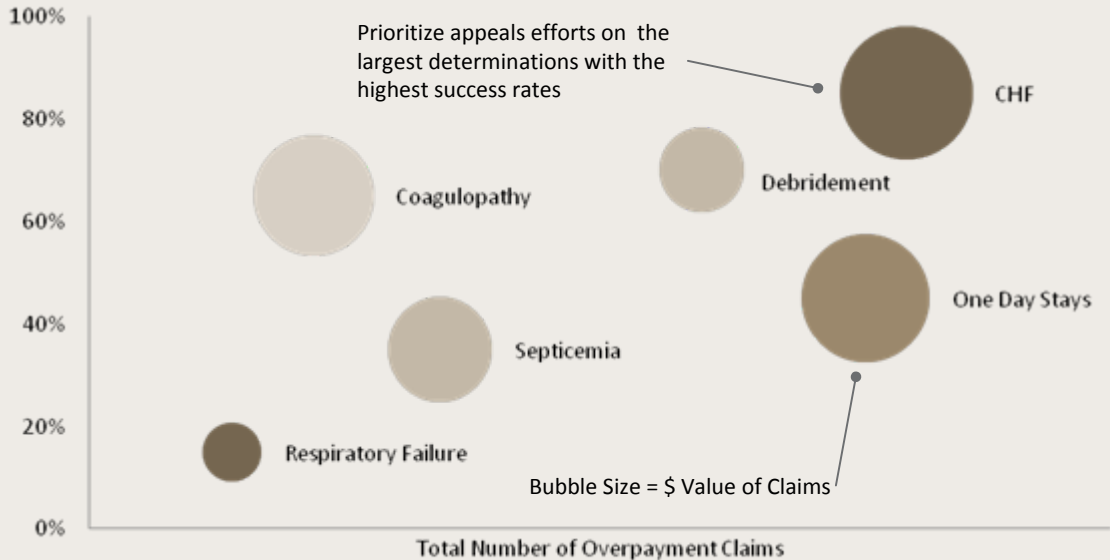
- RAC takebacks are appealed only after a medical and financial review reveals viable evidence to support case arguments and the cost of filing an appeal
- Rarely practiced during the RAC demonstration project
- This strategy is most recommended for hospital RAC appeals

Learning from Past Experience

Track Appeals Success to Support Future Efforts

Example Appeals Tracking Graph

Appeals Success Rate (%)





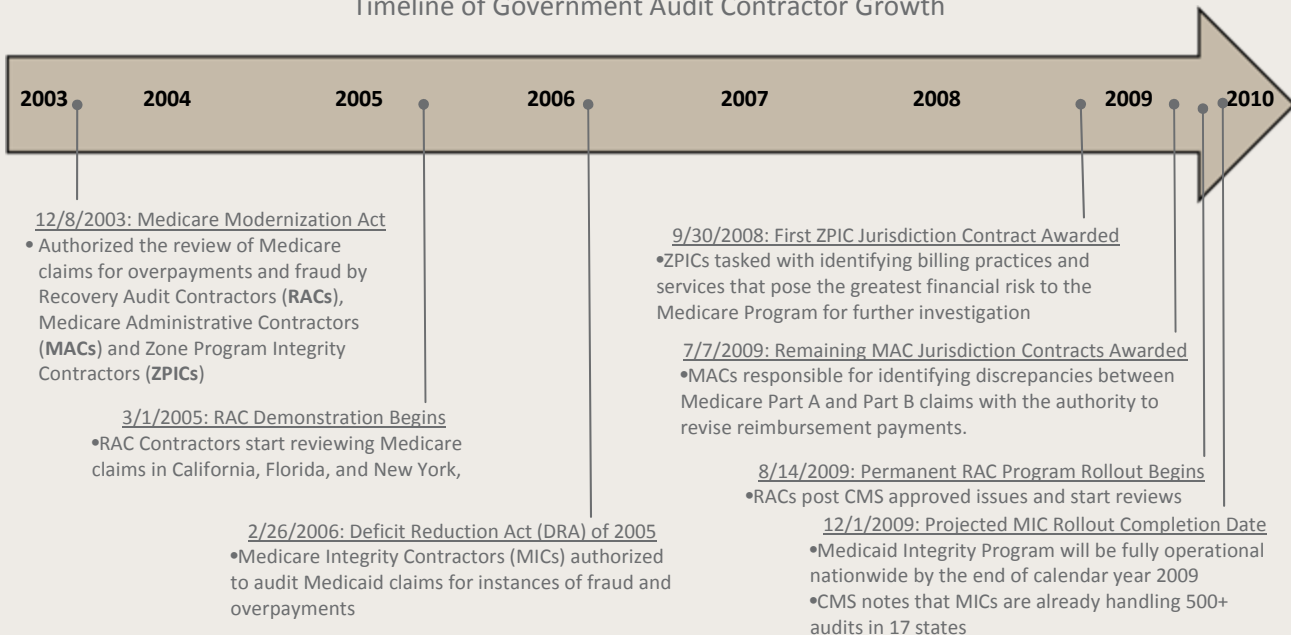
Coda

The Tip of the Iceberg

More than Just RACs

Providers Inundated by Government Audits

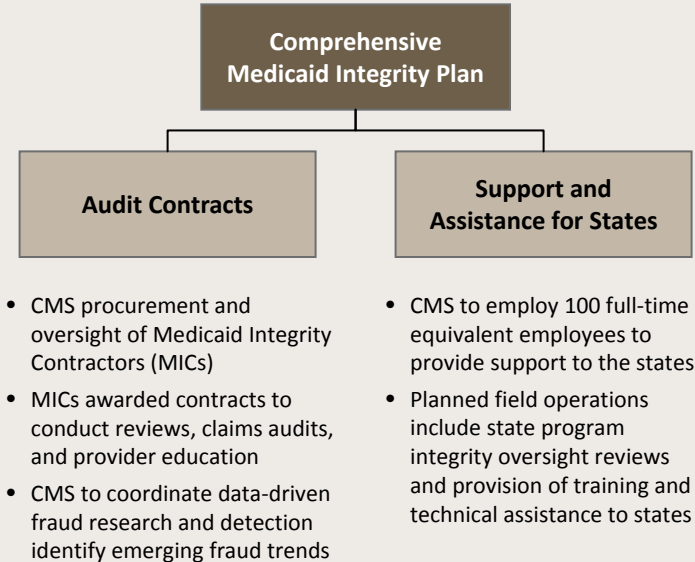
Timeline of Government Audit Contractor Growth



More Concerning than RAC?

Medicaid Integrity Program

Program Overview



Differences from RAC

- No set limits on number of medical records or claims that can be requested for review
- Audit processes will vary by state
- State rules determine number of days provider has to respond to MIC medical record requests
- Fee-for-service compensation model for MICs (no contingency fees)
- MICs will perform desk audits and on-site reviews

Private Payers Following Suit

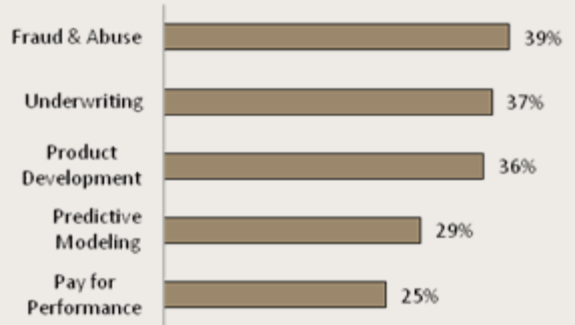
Commercial Payers Drafting Off of RACs Initiative

Commercial Payers Performing Post-Payment Audits



Investment in New Business Intelligence Solutions

% Designating Reason as a Top Driver



A Fact of Life

"Post-payment review is going to be a way of life, as commercial payers and Medicaid follow Medicare's lead"

-Revenue Cycle Director,
Large Health System in the West

For More Information

On Revenue Integrity Compass or any other Advisory Board initiative, please contact

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Senior Director, The Advisory Board Company

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Appendix

Diagnostic Red Flags – Flashpoint 1

Where Should we Focus Our Attention: Identifying the Risks?

Attendees may wish to complete this “self-test” to highlight particular areas of vulnerability in their current RAC risk assessment practices.

	Yes	No
• Have we analyzed our historical denials rates to determine root causes of correctable errors?	_____	_____
• Do we have visibility into our potential risk exposure based on demonstration-project target areas?	_____	_____
• Have we engaged in a sensitivity analysis of our current risk exposure relative to recently posted target areas?	_____	_____
• Have we audited our coding and case management operations for sources of potential weakness?	_____	_____
• Have we established and codified a payment reserve strategy?	_____	_____

Diagnostic Red Flags – Flashpoint 2

Where Should we Focus Our Attention: Designing Efficient Audit Workflow?

Attendees may wish to complete this “self-test” to highlight particular areas of vulnerability in their current RAC audit response practices.

	Yes	No
• Have we established a RAC team with assigned roles and responsibilities?	_____	_____
• Have we designated a central RAC coordinator responsible for liaising between departments to compile necessary documentation?	_____	_____
• Do we have a streamlined process defined for retrieving, reviewing, and submitting record requests?	_____	_____
• Have we undergone a comprehensive RAC audit simulation exercise?	_____	_____
• Does our technology enable careful monitoring of all RAC-related activities?	_____	_____

Diagnostic Red Flags – Flashpoint 3

Where Should we Focus Our Attention: Triaging Appeals?

Attendees may wish to complete this “self-test” to highlight particular areas of vulnerability in their RAC appeals processes.

	Yes	No
• Do we have a process in place for estimating and evaluating the potential costs and benefits to appealing determinations at each appellate level?	_____	_____
• Have we settled on a policy for submitting payment for adverse determinations—with an analysis of risks and benefits?	_____	_____
• Do we have mechanisms in place for quickly submitting common types of appeals?	_____	_____
• Do we have enough in-house expert guidance to advocate for us during appellate hearings?	_____	_____
• Do we have visibility into our historical appeal success rates to be able to estimate future payment recoupment opportunities?	_____	_____