Recovery Audit Contractor Program Underway

BY DENISE NAPOLI

WASHINGTON — Physicians and other providers in certain states are beginning to receive demand letters from Medicare Recovery Audit Contractors, Dr. Thomas Valuck said at a meeting of the Practicing Physicians Advisory Council.

Officials from the Centers for Medicare and Medicaid Services will begin to roll out the program to the rest of the country later this summer, with demand letters reaching providers in August or early September, according to Dr. Valuck, medical officer and senior adviser at the Center for Medicare Management.

The Recovery Audit Contractor (RAC) program is designed to identify and correct past improper Medicare payments, including underpayments. It began as a demonstration project in three states in 2005, and was made permanent and nationwide in 2006 by the Tax Relief and Healthcare Act. It is administered by private contractors who collect a fee based on the errors they detect.

The RACs—which have access to Medicare fee-for-service claims data—use software to analyze claims for inaccuracies regarding coding, billing, and payment. Beginning in September, the RACs will also conduct computer-facilitated "complex reviews" on diagnosis-related group (DRG) coding errors, according to Cmdr. Marie Casey, USPHS, CMS deputy director of recovery audit operations. And by 2010, the RACs will also review the medical necessity of certain claims, relying on the expert medical opinion of physicians and other medical professionals who work for the RACs.

Cmdr. Casey added that the RACs can audit any Medicare fee-for-service claims up to 3 years from the payment date, but for now will review only claims made on or after Oct. 1, 2007.

Cmdr. Casey and her colleague, Lt. Terrance Lew, USPHS, a health insurance specialist at the division of recovery audit operations at the CMS, offered advice for preparing for an RAC review:

▶ Know where previous improper payments have been found so that you can avoid making the same mistakes. This information is available at www.cms.hhs.gov/RAC/Downloads/RAC%20Evaluation%20Report.pdf.

▶ "Keep a clean shop," Lt. Lew advised. "Make sure that you're in compliance with all the applicable Medicare policies, coverage determinations, coding directives, requirements for documentation."

▶ Develop processes for tracking and responding to RAC requests and demand letters. "There are timelines attached to demand letters," Lt. Lew said. "You're going to want to have a system for tracking those timelines, and knowing if you have X days to come up with a record for such-and-such a claim, or Y days to file an appeal, if that's your decision."

▶ Appeal when necessary. "If you make a business decision that an appeal is warranted, we would certainly encourage you to appeal," Lt. Lew said.

▶ Identify key RAC contacts. Each region has its own RAC. (See box.)

Outreach designed to educate providers about the RAC program and what to expect is still being conducted in Regions B and D, and the CMS soon will begin outreach in Region A. The updated provider outreach schedule can be found at www.cms.hhs.gov/rac.

Provider outreach must occur in each state before an RAC is authorized to send any correspondence to a provider, such as a demand letter for recoupment or a request for additional documentation.

The RACs will begin with basic "black and white" reviews, Cmdr. Casey said, adding that these reviews will be performed on an automated basis (no medical records are required). Starting in September, the RACs may begin reviewing coding issues and diagnosis-related group validations, which will require the review of additional documentation.

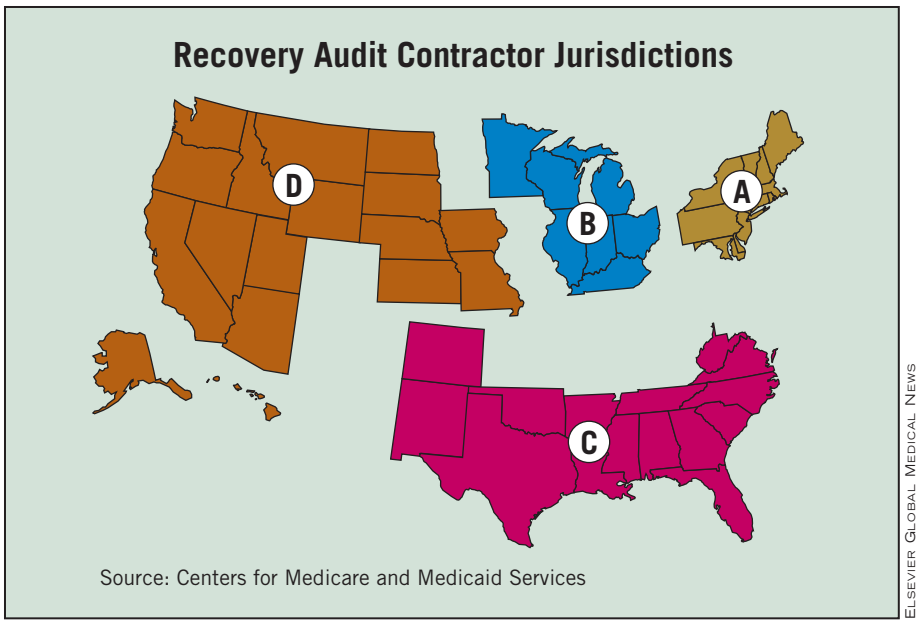
Once the RAC has been established in the region, the RAC may begin to review claims for medical necessity. The RACs may be contacted at:

▶ **Region A:** Diversified Collection Services (DCS), 866-201-0580; www.dcsrac.com.

▶ **Region B:** CGI, 877-316-7222; http://racb.cgi.com; racb@cgi.com.

▶ **Region C:** Connolly Consulting Inc., 866-360-2507; www.connollyhealthcare.com/RAC; RACinfo@connollyhealthcare.com.

▶ **Region D:** HealthDataInsights Inc., 866-590-5598 (Part A); 866-376-2319 (Part B); racinfo@emailhdi.com. ■



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