



RAC Attack

A Pro-Active Provider Plan

Lessons Learned from the Pilot Program
National Expansion: March, 2008

HFMA Northern California
2008 Spring Conference
3/13/08



RAC Background

- CMS (Centers for Medicare and Medicaid Services) launched a demonstration pilot project designed to identify Medicare underpayments and overpayments entitled “RAC” (Recovery Audit Contractor) in 2005.
- The pilot program affected providers in California, New York and Florida.
- Auditors are paid commissions up to 30 cents for every dollar they recover.
- PRG Schultz is the contractor assigned to hospitals whose FI (Fiscal Intermediary) is NGS.



RAC Background

- The first phase of the audit focused on IRF claims (Inpatient Rehabilitation Facility).
- NGS is the FI for approximately 50 of the 82 IRF's in California.
- PRG Schultz reviewed accounts from 40 of the 50 IRF's or 80%.
- Service dates of the claims ranged from 2002 -2006



RAC Background

- Denials of IRF Admissions based on medical necessity:
- Admission of orthopedic patients;
- Need for Rehab MD
- Need for Rehab Nursing
- 3 hours skilled therapy not provided
- Need for intensive rehab services
- Expanded to Acute one-day admissions

RAC Background



- California Hospitals fought PRG Schultz denials via the appeal process and are generally winning in court at the ALJ (Administrative Law Judge) level
- Judges have determined that PRG Schultz did not have a “good cause” to re-open claims greater than 12 months after initial determination
- Expensive process for providers to appeal with the current estimate at \$2,000 - \$3,000 per account



RAC Background

- California Hospital Association (CHA) has done an outstanding job of communicating updates to providers by sending e-mails and arranging teleconferences
- CHA also worked with members of Congress to pass H.R. 4105.
- H.R. 4105 would place a moratorium on the RAC program for one year, and would require CMS and the Government Accountability Office to provide Congress with data and analysis of the program thus far

RAC Background



- 3/6/08 – CMS announced RAC Pilot Program identified \$371.5 Million in Improper Medicare Payments in 3 states in 2007
- \$440 million has been collected since the program began in 2005
- \$120.1 million dollars in overpayments have been recovered in California
- Report did not provide relevant negative information such as the portion of these funds that may have to be reinstated



RAC Background

- California Hospitals have mounted a campaign against the RAC expansion to all 50 states because the effort is riddled with flaws
- Chief complaint is the program's reliance on the "bounty hunter" payment mechanism" contingency fees that reward the auditors according to how much they save the government
- CMS spot checked claims from IRF review by PRG Schultz and the review upheld 60% of the auditor's findings but determined many had been handled inconsistently

RAC Background



- Inconsistent Findings by ValleyCare Health System:
 - 1) PRG Schultz stated 2003 accounts did not meet 2004 Interqual criteria
 - 2) PRG Schultz agreed with first level denial for one-day stays in June, 2007 with letters yet NGS still made take backs and refused to correct payment until PRG Schultz advised them to do so; with the assistance of CHA the correct payment was finally made in February, 2008



RAC Status

- CMS confirms plans for the national RAC program to begin in spring, 2008.
- AHA backed legislation (H.R. 4105) has not been approved by Congress so providers need to get prepared.
- National Program can only consider claims with dates of service starting 10/01/07.
- California providers will not be contacted 3 months prior and after MAC (Medicare Administrative Contractor) is established – approximately September 1, 2008



Pro-Active Action Plan

- Explain the RAC Program to your organization's Senior Management and Directors ASAP especially your CFO/Finance Department who need to plan for the potential financial "hit" to your current cash flow from October 1, 2007 and forward Medicare payments.
- Determine the contact person in your organization who should receive copies of letters from CMS and the assigned Audit Contracting Company. Letters could be addressed to Rehab, Business Office, Case Management, HIM or COO.
- Create a "RAC Task Force". Members should include reps from:
 - Senior Management
 - Case Management
 - HIM/Medical Records
 - Finance
 - Patient Financial Services (PFS)



Pro-Active Action Plan

- Create a unique drive entitled "RAC Committee Share" on Excel for all Task Force Members to read but limit data entry to HIM, PFS & Case Management reps. Spreadsheet should include the following fields:
 - Status: Complete/Pending
 - Patient Name
 - Med Rec Number
 - Account Number
 - Admit Date
 - Discharge Date
 - Length of Stay
 - Pt Stay Type
 - Date Request Received
 - Date Ready for Copy Service
 - Date of Copy
 - Date Mailed
 - Name of copy Service
 - HIM Comments
 - DRG Change Requested Y/N
 - Coding OK Y/N
 - Original DRG
 - Revised DRG
 - Appeal Y/N
 - Appeal Date
 - Current Appeal Level 0-6
 - Appeal Approved/Denied A/D



Pro-Active Action Plan

Suggested Data for Spreadsheet (continued)...

- Original Payment made \$\$
- Funds Taken Back Y/N
- Amount of Funds Taken Back \$\$
- Re-bill Y/N
- Second Payment Amount \$\$
- Focus of Audit
- Notification Date
- Admitting Date
- Discharge Date
- Diagnosis/Symptoms
- Origin
- Audit Determination
- Conclusion
- Final Status
- Admit MD
- Adm Service
- 1st MD
- Attend Srv
- Medicare Payment \$\$
- Date of Last update



Pro-Active Action Plan

- Create credit adjustment code entitled “Medicare RAC” to track and offset take backs
- Create message code to use on accounts such as “RAC-Take back due to Medicare Recovery Audit Contractor”
- Contact your State’s Hospital Association and recommend conference calls to share information.



Pro-Active Action Plan

- Ask your HFMA Chapter Leadership to provide information via newsletters or educational sessions.
- Communicate RAC situation to physicians via newsletter or meetings
- Determine if appeals should be handled internally or via legal counsel



Any Questions?

Thank you for attending the session!

Cindy Rudow, Director PFS

ValleyCare Health System

(925) 373-8023

crudow@valleycare.com