

Ready or Not, RACs Are Coming!

Key to the whole process is to put together a multi-disciplinary RAC Response Team with an HIM professional as the team leader.

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Leslie: What a great week we just had at the AHIMA National Convention and Exhibit in Philadelphia! I was surprised by how much “buzz” we heard about the upcoming implementation of Medicare’s recovery audits, commonly referred to as RAC Audits.

Patty: Indeed. Now that the demonstration project results have been reported, the Centers for Medicare and Medicaid Services (CMS) has decided to step up the implementation for other states. That news certainly has everybody discussing the potential implications and impacts of this new auditing program by Medicare.

Leslie: I understand that only three states were involved in the demonstration project, so most of our colleagues haven’t experienced a RAC audit yet. However, one of our Care Communications’ e-HIM® consultants, Starla Stavely, MM, RHIA, has first-hand experience as a former HIM director in Florida—one of the three demonstration states. I’ve invited her to help us understand what this new program means for HIM professionals, and how we can all get ready.

Starla: Thanks Leslie, I’m delighted to have this opportunity to share what we learned about the RAC program.

Leslie: Well, let’s start at the beginning; what is a RAC and how did this new program come about?

Starla: RAC stands for Recovery Audit Contractor. These contractors are nationally recognized review companies that have developed sophisticated software to compare provider billing with CMS guidelines. They won the government contract to perform the demonstration project. This program originated with the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). It directed the Department of Health and Human Services to develop a demonstration project to determine whether the use of RACs would be a cost-effective means of: 1) identifying underpayments and overpayments made by Medicare, and 2) recouping overpayments made to health care organizations.

Patty: So all this began back in 2003?

Starla: Well the mandate for the program did, but the actual project did not begin until 2005. At that time, CMS determined that three states would participate and three audit companies were contracted to electronically review Medicare claims in California, Florida and New York.

Patty: What kinds of Medicare claims were reviewed?

Starla: Pretty much all of them. Inpatient, outpatient treatment and diagnostics, medical supply and even physician office billing. It was a thorough review, and by the end of 2006, the results in those demonstration states led CMS to conclude that the project was successful.

Leslie: Just how successful was the program?

Starla: A detailed report of the project's 2006 results is available at www.cms.gov/rac. It states that the program identified more than \$300 million in improper payments, although more than 75 percent of that amount is listed as "in the queue." That means that as of the writing of the report, those claims were still in the appeals process. And it may not surprise your readers that of the claims settled, only 5 percent were underpayments. CMS requires facilities to refund any overpayment, and CMS will return dollars to the facility when an underpayment is identified. These numbers can have a significant impact on a provider's bottom line.

Leslie: Will RAC audits eventually be done in all states?

Starla: Yes. CMS has an expansion plan that will eventually implement the RAC audit program in all states by 2010. According to the CMS Web site three additional states that will be affected in 2008 are Arizona, Massachusetts and South Carolina. These states, along with the three original demonstration states, will be subject to RAC review for their inpatient and outpatient Part A claims, and for all providers in those six states serviced by Mutual of Omaha.

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