

# What Health Care Providers Need To Know About Medicare and the RAC



By Carla Hannibal, CMM,CPM,CIMBS

Recovery Audit Contractors (RACs) will pursue corrections of Medicare claims by auditing for overpayments and underpayments under Part A or B of the title XVIII of the Social Security Act. Health care providers will be affected as Medicare has recently contracted with RACs for 2009 and beyond. RACs will audit every United States and Puerto Rico health care provider who files with Medicare. The audit and recovery plan is expected to be in place by 2010 in all 50 states and Puerto Rico on a permanent basis. Based on findings, if compliance with Medicare billing rules is not up to standard, penalties may be assessed including fines and in severe cases, the loss of Medicare billing privileges.

## **What should providers do?**

Health care providers would be wise to ensure their offices are in compliance because Medicare will not provide any specific guidance to the physician or provider of care outside of basic written guidelines. RAC contracts fees are contingency-based which means they will have every incentive to find errors. It should be noted that each RAC's contingency fee is established during contract negotiations with CMS and varies for each RAC.

Region A: 12.45%

Region B: 12.50%

Region C: 9.00%

Region D: 9.49%

For practices, internal changes need to be established to monitor documentation and coding for compliance as well as establishing a framework to track RAC requests. These are not new requirements to providers. The provider application and contract clearly states that it is the sole responsibility of the Physician to follow all documentation rules and regulations, coding and billing rules 100% of the time. Offices setting up compliance guidelines should appoint someone who will be responsible for monitoring compliance within the practice.

### **Is there a limit to what records RACs will audit?**

Yes there is a medical records limit, established by NPI, of records the RAC will audit.

"¢ Solo Practitioner

Limit = 10 medical records/45 days

"¢ Partnership of 2-5 individuals

Limit = 20 medical records/45 days

"¢ Group of 6-15 individuals

Limit = 30 medical records/45 days

"¢ Large Group (16+ individuals)

Limit = 50 medical records/45 days

### **What are the RACs focusing on?**

Under the program, RACs will focus on CMS-established payment criteria and will consist of both automated claims history reviews from the CMS database as well as complex clinical reviews of patient medical records. Specific areas of concentration include "not medically necessary services" (or those not meeting the established CMS clinical payment criteria), non-covered services, incorrectly coded claims, duplicate services and incorrect payment amounts.

### **What is involved in the RAC claims audit process?**

The Process consists of six phases.

- I. Data Screening & Claim Selection
- II. Medical Record Request
- III. Record Review and Status Determination
- IV. Post Review Notification
- V. Overpayment Recoupment
- VI. Post Determination- Other Provider Options and Data Tracking

**Does the RAC program cover Medicare Replacement policies?**

No the RAC program does not detect or correct payments for Medicare Advantage or the Medicare prescription drug benefit.

**What happens after a RAC audit?**

In those cases of overpayments, the physicians may choose to send a rebuttal of the findings directly to the RAC within 15 days of receiving the RAC's letter identifying an overpayment. However this does not stop the clock on the 120-day time period during which you can request a redetermination (first level appeal) from your Medicare contractor or on the interest accrued when money is not refunded to CMS within 30 days of request. If the RAC discovers that an underpayment has been made to the provider then the RAC will inform the carrier or intermediary who will proceed with the claim adjustment and payment to the provider.

**When does all this begin?**

Implementation will take place on a rolling basis in 3 phases which began 10/1/08. The schedule for the program rollout can be found [here](#).

## **Will your practice be ready?**

*Carla Hannibal, CMM, CPM, CIMBS is President of Hannibal Professional Services, LLC (HPS). HPS is a practice management company that provides services for small to medium-sized physician groups. Carla is a writer, speaker, trainer and highly skilled manager with 27 years of clinical and administrative experience in the healthcare industry. Her experience in the healthcare industry ranges from claims processing to practice management. If you need more information on RAC, or help in implementing a compliance process in your practice, Carla can be reached at 623-204-8992.*