



# Medicare Recovery Audit Contractor Readiness for Rural Hospitals

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# Objectives

- Provide an overview of the RAC program
- Discuss RACs in the context of federal health care reform
- Discuss how Rural Hospitals are preparing for the RACs

# WHAT IS A RAC?

- CMS has contracted with auditing firms (Recovery Audit Contractors) to find overpaid and underpaid Medicare claims
- RACs mine claims data (automated reviews) and review medical necessity on claims (complex reviews)
- RACs are paid on a contingency basis and keep a percentage of each overpayment/underpayment

# The RAC Demonstration Program

- Medicare Modernization Act of 2003 authorized a demonstration program in New York, Florida, California, and later South Carolina, Massachusetts and Arizona 2005-2008
- So successful in recovering payments (\$694 million in net savings) that it was made a permanent program (Section 302, Health Care Act of 2006)

# The RAC Demonstration Program

## “Wild Wild West”

- RAC able to keep contingency fees, even if denial/ recoupment was overturned later during the appeals process.
- No standards regarding qualifications of RAC staff/medical director involvement
- Limited oversight of requests/issues
- No limits to medical record requests

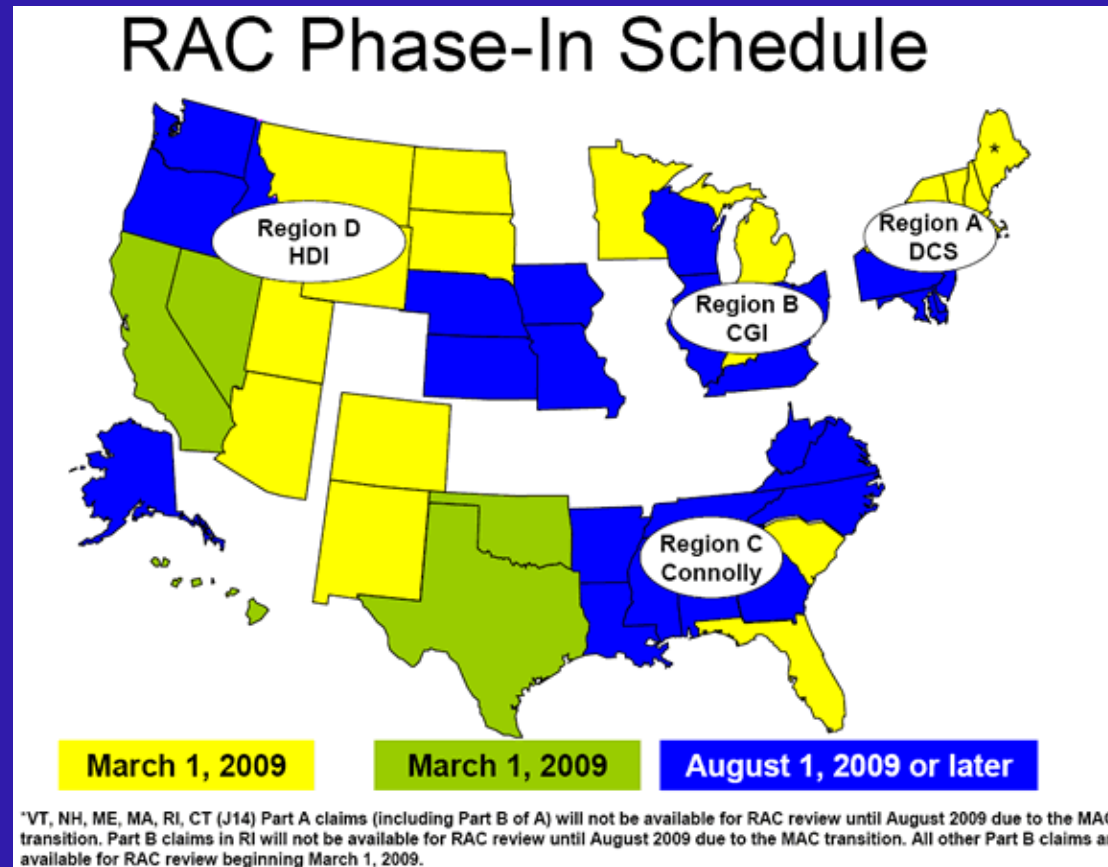
# Significant Changes for Permanent RAC Program

- All contingency fees returned if appeal won
- Medical Director required/proper licensure required for auditors (RN, Coder, etc)
- New Issues (types of claims being audited, edits) require advance validation by CMS
- Limits to mount of records requests (NPI v. TIN still unresolved)

# ***RAC in Washington State***

- Health Data Insights, Inc. is RAC for our region (Region D)
- PRG-Schultz is subcontractor (auditing home health claims)
- Audits to begin in Washington State no earlier than August 2009, with Medical Necessity Audits to begin no earlier than early 2010

# RAC Implementation



# RACs and Healthcare Reform

- Emphasis on finding overpayments
- VS.
- Emphasis on identifying ways to eliminate avoidable costs and unnecessary services
  - Opportunity and mechanism for process improvement
  - Opportunity to change processes to avoid future exposure

# RACs and Healthcare Reform

- Recovery Audit Contractors
- Medicare Integrity Contractors
- Medicare Administrative Contractors
- More to come?

Key- Integrated approach and response

# RACs and Healthcare Reform

## Other Areas of Cost Savings

- Readmissions
- Hospital Acquired Conditions
- Adverse “Never” Events
- Other not medically necessary or avoidable services

# Keys to RAC Preparation

- Know your areas of vulnerability
- Demo project findings, new issues (once posted)
- Impact and vulnerability reports
- If issues are found, work it out with MAC or FI rather than wait for the RAC

# Key Components

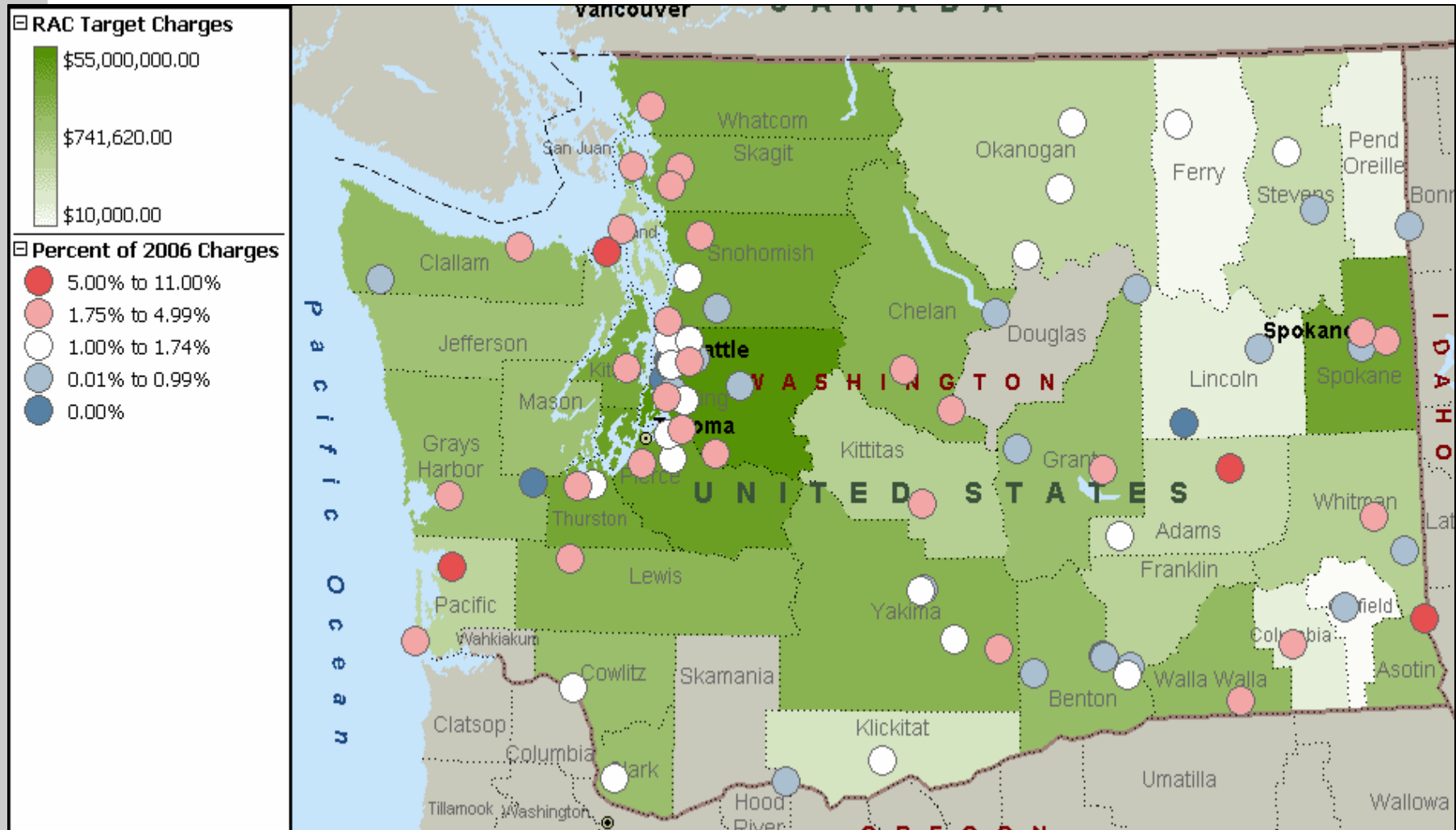
- Know your vulnerable areas
- CAHs are particularly vulnerable in area of three day stays prior to SNF stay (including Swing Bed).

# *Analysis of RAC Foci*



***WSHA's Health Information Program (HIP) has and will analyze areas of hospital exposure.***

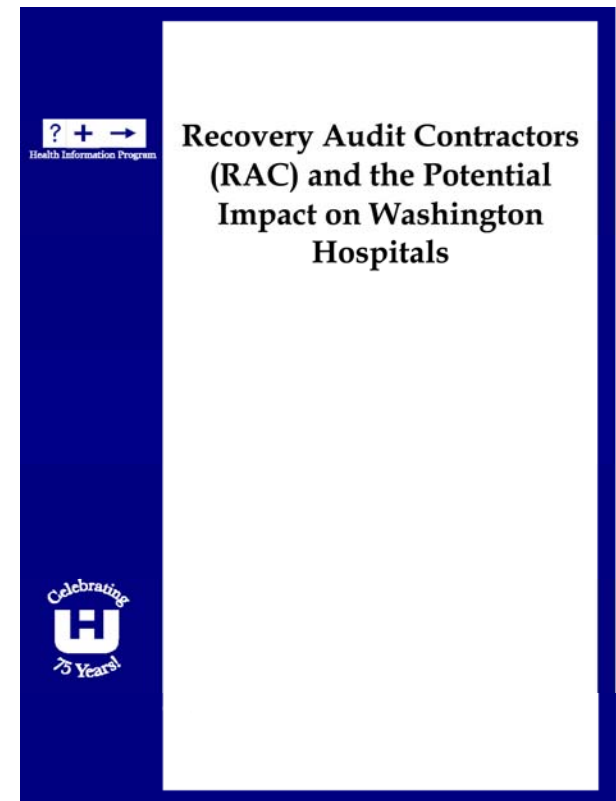
# 85 Washington Hospitals Affected



# Hospital Specific Reports



- **Published in September 2008 by the Health Information Program (HIP)**
- **Sent to all Washington hospitals**
- **Review hospital exposure based on the areas identified in the RAC pilot project**



## Rural Findings From First Report

- Whether small or large, hospitals have potential exposures to pilot-identified areas.
- Small hospitals may have a larger case percentage flagged due to
  - ✓ One day lengths of stay, and
  - ✓ Exactly three days to SNF transfer.

# HIP Future Steps



- HIP will model areas that are identified for RAC focus if we have the data to do so.
- Existing hospital-specific reports will not be up-dated, but may still be of use.
- If a hospital wants a report copy, they may request the report from HIP.



# HIP Contact



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# Key Components

- Discuss: What are you doing to identify your areas of exposure?

# Identify the Real Issue and fix it going forward

- The service was not medically necessary
- Documentation issue?
- Coding issue?
- Need for new process?

Discussion: How is this process going for you?

# Appeals Tracking Process

- Find right software/process for your facility
- Know the process and timelines
- When is it worthwhile to appeal?

Options:

1. Pay/ no appeal
2. Don't pay and appeal (but be aware of interest costs)
3. Pay but appeal (and get interest if you win the appeal)

# Appeals Tracking

- What processes/vendors will you be using to track denials and appeals?

# Make Necessary Corrections

- Make arrangements with MAC regarding past
- Make necessary changes in how care is delivered going forward
- What changes has your facility made?

# *WSHA RAC Activities*

- Close contact with CA, MT, and OR hospital associations
- Connection with other states with RAC experience
- Working with AHA

# *Upcoming WSHA Events*

- July 20- Seattle Airport Hilton  
Washington State provider outreach sessions featuring CMS and HDI staff.
- Summer or Fall 2009 - Possible web cast with HDI RAC staff, possibly in conjunction with other state associations
- Summer or Fall 2009 - Web cast with AHA staff (rescheduled from June 4)

# *Resources*

- RAC email notification list and monitored RAC list serv launched June 5
- WSHA is conducting an ongoing survey of member hospitals to assess preparation and determine needs (Survey link on WSHA RAC Web Page).

# *On the Web*

- RAC materials on RAC page of the WSHA website at <http://www.wsha.org/page.cfm?ID=0300>

## Includes:

- Recovery Audit Contractor Program Resumes
- AHA Advisories on:
  - ✓ RAC Permanent Program Basics
  - ✓ The Medicare Appeals Process

# *On the Web*

Also includes:

- Medicare Recovery Audit Contractor-Initial Impact Analysis
- Handout Materials from May 11 California Outreach Session
- Evaluation of RAC Demonstration Program

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