

MEDICARE RACs — ON THEIR WAY TO IOWA

By Jeanine Freeman, JD

Recovery audit contractors (RACs) are employed by CMS to detect and collect overpayments made inconsistent with Medicare’s coding or medical necessity policies; to identify underpayments; and to assist CMS with a plan for preventing overpayment errors in the future. RAC demonstration projects in six states returned more than \$900 million in overpayments and nearly \$38 million in underpayments over a 3-year period. RAC administration costs about 20 cents for every recovered dollar.

CMS has mapped out four RAC regions. Iowa is in Region D. Iowa’s RAC contractor is HealthDataInsights, Inc. (HDI). Before initiating work in our state, HDI must hold town hall meetings with providers. HDI anticipates scheduling sessions sometime after August 1, 2009.

RACs are paid a contingency based on identified overpayment and underpayment amounts; if an overpayment is successfully appealed, the RAC must return its contingency fee on that amount. Region A’s RAC is paid a 12.45% contingency; Region B, 12.50%; Region C, 9.0%; and Region D (Iowa’s RAC), 9.49%.

RACs will identify and provide “targets” for approval by CMS and are required to post on their Web sites the types of issues undergoing review and common errors they are looking for. CMS says that small discrepancies, such as one-level coding differences, are not subject to RAC review. The AMA believes that E/M services are not appropriate for RAC review. RACs are limited to a 3-year look-back period with a maximum look-back date of October 7, 2007.

At first, RACs will conduct automated reviews on data provided by CMS and will communicate

with medical practices through “demand letters” identifying overpayment amounts. If you question a demand letter, you can enter into a “discussion” with the RAC, after which the RAC will make its decision. From there, you may appeal.

Once RACs are fully operational, more complex reviews will be conducted through medical record audits. You have 45 calendar days plus 10 business days for mail delivery to respond to a RAC request for medical records. The RAC has 60 days to review those records, after which you will receive a letter from the RAC indicating what it found and initiating a discussion period. If the RAC remains adamant in its overpayment determination, you may appeal.

Appeals of RAC overpayment demands netted solid returns in demonstration states; 34% of those appeals were decided in the provider’s favor. The AMA has developed a one-page guide on appealing RAC decisions; go to http://interactive.snm.org/docs/RAC_Appeals.pdf. RAC appeals processes are the same processes by which providers appeal Medicare claims denials. Deadlines are important.

RACs are limited in the number of medical records they may request in any given 45-day period based on the size of a medical practice: solo practice, 10 medical records; 2-5 practitioners, 20; 6-15, 30; and 16+, 50. CMS is considering a recommendation of the Practicing Physicians Advisory Council (PPAC) that RACs pay a fee for each medical record request.

Go to www.cms.hhs.gov/RAC for information about the RAC process. It is good to now become familiar with RAC processes and time frames and to identify staff who will serve as your practice’s primary contact on RAC matters.



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