Supplement to *Healthcare IT News* and *Healthcare Finance News* ▪ November 2009

Healthcare IT News
THE NEWS SOURCE FOR HEALTHCARE INFORMATION TECHNOLOGY
www.healthcareitnews.com/RAC

HEALTHCARE FINANCE NEWS
THE BUSINESS NEWSPAPER FOR HEALTHCARE FINANCIAL MANAGERS
www.healthcarefinancenews.com/RAC

SOLUTIONS SERIES

Surviving the RAC Attack

CMS promises fewer burdens on providers under new RAC program

By Diana Manos, Senior Editor

OFFICIALS FROM THE Centers for Medicare and Medicaid Services (CMS) say they have improved the recovery audit contractor (RAC) program in ways that should make things easier for providers.

According to George Mills, director of the provider compliance group at the CMS Office of Financial Management, the agency wants to make the program less burdensome for providers than it was under the RAC pilot demonstration, conducted 2005-2008.

According to Mills, the federal government collected 1 billion under the RAC demo, conducted in California, Florida, New York, South Carolina and New York. "I'm not going to say the demo was perfect," he said. "That's what a demo is. We learned a lot and we made some changes. "

The nationwide RAC program is expected to "go live" sometime next summer, Mills said.

To improve things, CMS is now aiming to ensure the accuracy of the decisions made by the audit contractors; is pushing greater transparency than it had with the RAC pilot program; and is making efforts to relieve some of the burdens providers face.

Mills is responsible for medical review activities for Medicare fee-for-service, the RAC program and the comprehensive error rate testing program at CMS.

"In my role of running the medical review activity, I hope to someday be successful in putting the RACs out of business," he said. "Our goal isn't to mistakenly pay claims, but to prevent them from mistakenly being paid in the first place. It's not the best position to be in to go back and do post-payment recoveries."

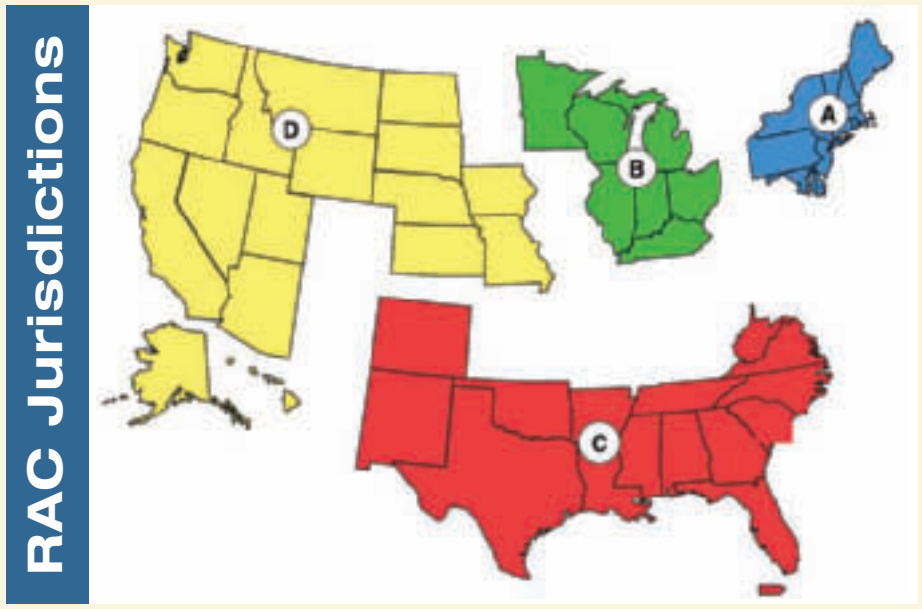
Due to confusion about the many types of federal auditors out there, CMS is setting up a Web site that will show state-by-state what providers are under review, and by whom.

If providers are already undergoing a review by a Medicare administrative contractor (MAC), they won't be subjected to a RAC audit until the MAC audit is over, Mills said.

CMS will set up a secure Web site where providers can check requests they have received from the RACs. Claims status will also be available on the Web site. CMS will give detailed explanation in plain language as to why a claim has been denied. "We are really putting a lot of emphasis on that, this time," Mills said.

None of the RAC contractors have any data yet from CMS, and providers should not expect to receive audit letters until sometime next summer. Before that can happen, Mills said, CMS has committed itself to providing more education

CMS CONTINUED ON PAGE 3



SOURCE: CMS

Four contractors will administer RAC audits across the United States. Region A (Diversified Collection Services) consists of Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. Region B (CGI Technologies and Solutions, Inc.) includes Indiana, Michigan and Minnesota, Illinois, Kentucky, Ohio and Wisconsin. Region C (Connolly Consulting) covers Carolina, Alabama, Arkansas, Colorado, Florida, Georgia, Louisiana, Mississippi, North Carolina, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, Puerto Rico and the U.S. Virgin Islands. Region D (HealthDataInsights, Inc.) includes Alaska, Arizona, California, South Dakota, North Dakota, Hawaii, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, Nevada, Oregon, Utah, Washington and Wyoming.

Create a diverse team for effective RAC management

By Eric Wicklund, Managing Editor

STUART, FL – Hospitals and health systems preparing for Medicare's Recovery Audit Contractor program need to have a team of experts in place to make sure the process runs smoothly.

That's the thinking of many a RAC consultant and hospital executives – including Kathy Skrypczak, the assistant vice president of corporate services at Martin Memorial Health, whose Stuart, Fla.-based two-hospital system took part in the RAC demonstration project from 2005-08.

"There are a lot of people in an organization who need to know what's going on," said Skrypczak, who oversaw a team that had 2,600 claims reviewed during the demonstration project and appealed roughly 1,500 of those claims. "In the middle of the process, we were meeting monthly as a group, working on timetables and processes. It's all about workflow."

Karen Bowden, president of consultative services for Murfreesboro, Tenn.-based ClaimTrust, who worked with several Massachusetts hospitals during the demonstration project, said a RAC team should include the chief financial officer, compliance officer, revenue manager, case management director, health information management coding director and patient accounts director. And once the team is assembled, she said, each person needs to know their exact responsibilities.

"One of the biggest issues we saw was that copies (of medical records) were made and sent out, but no one was keeping track of what was sent or who was getting it," she said. "Who does the mail go to? Who manages the deadlines? Who determines the strength of an appeal?"

Also, she said, it is vital to "have a tool that tracks where everything is."

John Walton, vice president of marketing for MRO, a King of Prussia, Pa.-based developer of release of information solutions, says the RAC team should start with coders who have practices and standards protocols down pat. Then, he said, establish a team "that touches across a wide spectrum of the healthcare facility" to handle all requests from the RAC auditors.

"If you're being proactive about this," he added, "identify the trends that are causing RAC problems – are the coders coding correctly and the physicians admitting properly? And address them now instead of later."

George Abatjoglou, CEO of eWebHealth, a Reading, Mass.-based provider of health information management solutions, says a RAC team should have a review queue for auditors, so that they can quickly get the data they need.

Abatjoglou says some hospitals will outsource their ROI services, while others might handle the duties in-house with one or two dedicated RAC staffers. According to Skrypczak, either RAC team needs to meet once a month during the height of the review process – and they need to do it in one central, accessible location.

"These are not people that sit next to each other during the day," she pointed out.

"At the end of the day, they're requesting information, and that's no different than any other ROI process," Abatjoglou said. "EMRs, EHRs and scanning solutions aren't designed for third-party use, so you have to have a system in place and the people to make sure it functions smoothly." ■

Executives from Martin Memorial Health appealed roughly 1,500 of the 2,600 claims reviewed during the RAC demonstration program in Florida. Managing the information requires a strong workflow, a team of experts, and a proactive attitude, according to Martin Memorial Health's Kathy Skrypczak, assistant vice president of corporate services.

Physicians need to get more involved in the RAC process

By Chelsey Ledue, Associate Editor

NEWTON SQARE, VA – Historically, physicians are not always on the same page as hospital administration, but this is an important component when a RAC audit is inevitable.

"Physicians, more than ever, have to understand that they have got to follow the rules," said Rob Corrato, MD, president of Executive Health Resources (EHR), a physician advisor company. "(Their actions) impact what the hospital will do with claim submissions."

Everyone is worried about how to address the audits and appeal denials, but Corrato's best advice for physicians is to be an active participants in the RAC process. It helps if practices work closely with their hospital physician advisor.

All claims must be validated by the hospital and physician claims and hospital claims need to match. If they're different, the claim won't be paid, and if the action continues, it might cause suspicions of fraud.

In order to be ready for RAC audits, the Centers for Medicare and Medicaid Services suggests that physicians should know where previous improper payments have been found, be aware of submitting claims with improper payments, prepare to respond to RAC medical record requests and learn from past experiences.

Rob Corrato, MD

Best practices should be used and every Medicare patient needs to be reviewed, said Corrato. Claim status is determined by whether or not it's an inpatient or outpatient procedure, which are coded for different payment methods.

Communication is very important. It is the proof of a compliant process and the law provides protection under limitation of liability law when this is evident.

There are many gray issues with level or risk when deciding how to code or bill.

"Ask 10 physicians and you'll get 11 answers," said Corrato. "Show that you were actively involved in the process, along with the hospital."

In the appeals process, when an auditor sees this, denials should be overturned under the Social Security Act, he said. The best defense is a good offense.

Corrato said EHR has been able to overturn 90 percent of appeals based on medical necessity in the RAC process.

Physicians are involved in the evidence process, "but across the board, on hospital payments and claims, we don't know if physicians are involved at that level," said Peter Ashkenaz, deputy director of CMS Media Affairs.

That being the case, Ashkenaz said the RAC program might eventually consider broadening its scope to physician offices. ■