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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

RAC Jurisdictions

SOURCE: CMS
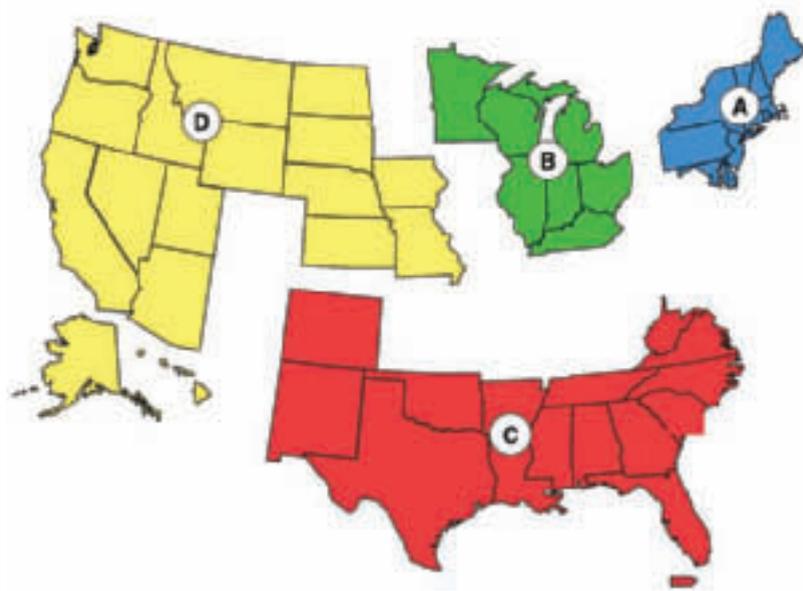
Four contractors will administer RAC audits across the United States. Region A (Diversified Collection Services) consists of Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. Region B (CGI Technologies 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.

Beyond spread sheets and tickler files

Solid IT tracking tools needed for effective RAC program

By Bernie Monegain, HITN Editor

SARASOTA, FL – There are millions of dollars at stake. Excel isn't going to cut it, and neither is any other spreadsheet approach, said Denise Morris, who oversaw a pilot Medicare audit at Sarasota Memorial Health Care System, which operates an 806-bed hospital in Southwest Florida.

Morris is senior DRG coordinator at the hospital. DRG stands for diagnosis-related group, and DRG coding is part of what Medicare contractors examine during an audit. Another piece is medical necessity.

Medicare calls the third-party auditors Recovery Audit Contractors, and most everyone refers to the audits as RAC audits.

Florida was one of five states that was part of Medicare's three-year demonstration for Medicare's RAC program. The others were New York, Massachusetts, South Carolina and California. The demo, which ran from 2005 through March 27, 2008, recovered more than $992 million in overpayments for Medicare.

It proved successful enough to expand the audits to every state. So, providers across the country are subject to the audits. Medicare's automated reviews are already under way. Complex reviews are slated to begin early next year.

Hospitals stand to lose millions of dollars just by missing various deadlines, said Tim Tegeder, director of healthcare solutions for Hyland Software in Ohio. The sheer volume of letters coming in requesting information is hard to track without an automated system, he said. And, there may be more audits on the way.

"It's Medicare today," Tegeder said. "We're hearing it may be Medicaid tomorrow. Other industry insiders say insurance companies are likely to follow Medicare's lead and initiate audits of their own."

At Sarasota Memorial, Medicare reviewed 5,600 accounts, and produced 902 denials.

Morris said the hospital has not released the amount it will be required to pay back to Medicare.

The cases that proved most vulnerable, she said, were one-day stays. Auditors questioned "medical necessity," whether the care could have been provided in an outpatient setting rather than in a hospital.

"We were able to overturn a lot of those," she said.

Three-day hospital stays were also ripe for audit, Morris said, because a three-day hospital stay is required to transfer a patient to a nursing home, and auditors questioned whether the hospital stay was medically necessary or extended to meet the transfer requirement.

Morris said the hospital appealed 37 percent, or 334 of the denials. Of that number, they succeeded in overturning 304 of the cases.

In retrospect, Morris said, Sarasota could have been more aggressive in its appeals. "It's kind of live and learn," she said.

One of the things Sarasota learned early was that audit contractors requested so many records, all of them with accompanying deadlines, that it became impossible to track it all – and the appeals – on a spreadsheet.

"You miss your deadline, and you're done," Morris said. The option for appeal is gone.

Morris recommends hospitals deploy a tracking tool from the get go.

"We tried to do it with Excel, she said. "It doesn't work. It absolutely, positively doesn't work. You have to have a tracking system."

Sarasota worked with its case management vendor, Chicago-based Morrisey Associates, to create what Morris calls "a nice tracking piece," the Web-based MCCM Integrated Denials Management System.

Use data mining to prepare for potential RAC audits

By Jeff Marion, Contributing Writer

HEAR THOSE footsteps? It's the RACs. They're coming. It starts with an innocent looking letter, addressed "to whom it may concern," but the auditors waste no time getting to the point: You owe money, lots of it. And you only have a few weeks to send out the check.

Data mining is one of the best tools a provider can use to prevent this scenario. Only by analyzing your own data and identifying vulnerabilities can you really be sure your dollars are safe from the RAC. Unfortunately, not all providers are prepared.

"A phenomenon that is interesting to me is the number of providers that are not doing the fundamental analysis of their own data," said Carla Engle, Product Manager for MediRegs, a provider of healthcare compliance and risk management solutions. "We know where the hot spots were during the demonstration project, we know what the OIG has looked at in recent years, we know what the CMS approved issues are for the RACs, so there are not likely to be many surprises like we saw in the demonstration project."

Providers should take four steps to begin data mining: find out where their data resides, who has access, how it can be extracted, and any additional personnel or software needed to help accomplish the goal.

But with all the different software and vendor options, identifying resources can be a difficult process. "To have an effective data mining tool it needs to be based on what the RACs have historically looked at," said George Kelley, chief operating officer of CBIZ KA Consulting Services. "It has to be robust enough that every time the RACs add new issues it will address those new issues and alert the facility to any records within the three year period."

While the total dollar amount recouped during the demonstration project made up only a small percent of total payments to CMS, providers should not delay in preparing for RAC audits. "Unless they are very, very comfortable and they've got all kinds of processes in place to ensure that the coding is good and that their admission criteria are good, be ready to pay back dollars," said Kelley. Providers must be proactive and use data mining to address their own weaknesses before the letters begin to arrive. ▪
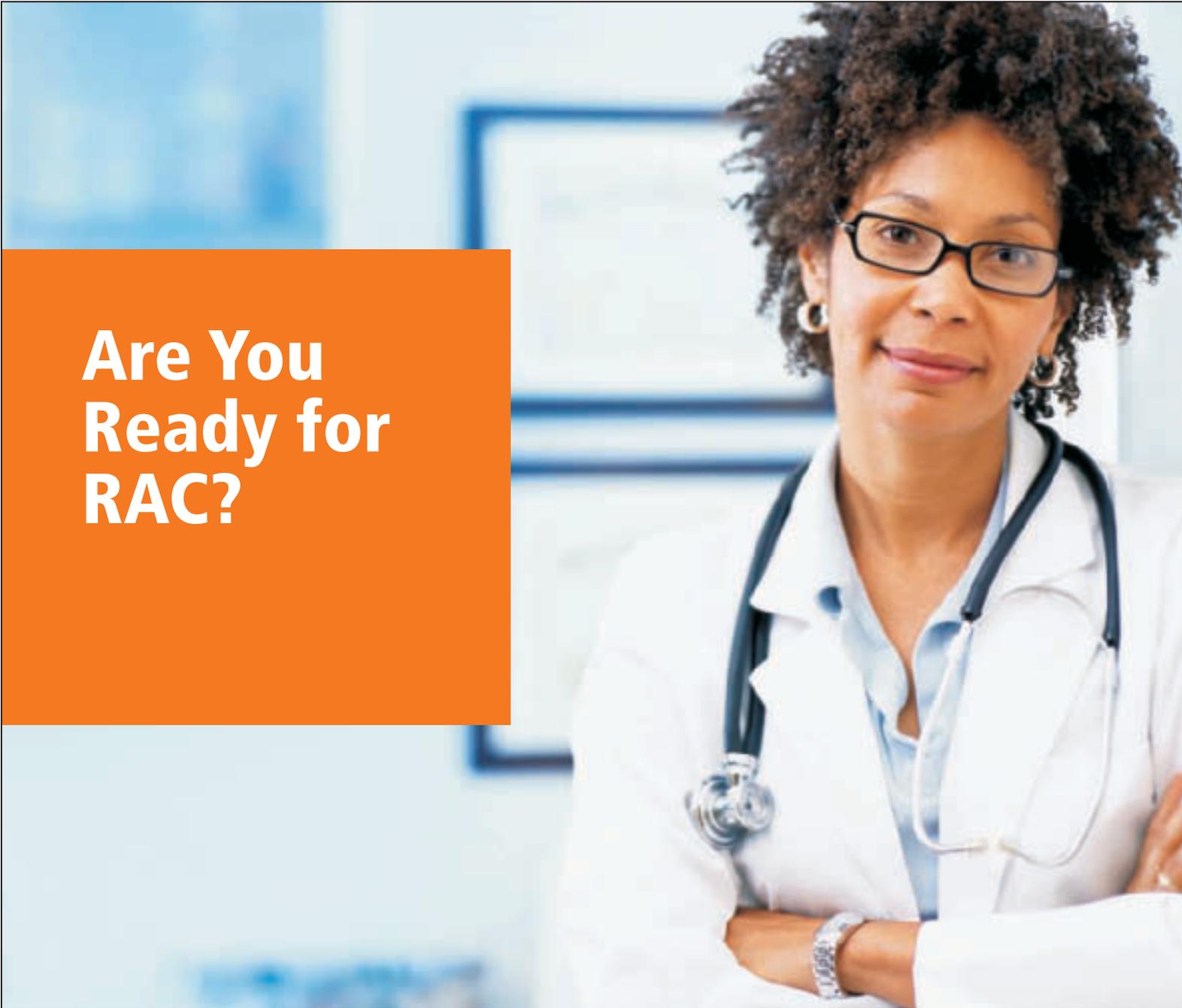
SARASOTA
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Shore Memorial Hospital in Somers Point, N.J. also turned to one of its vendors, MRO Corp., to add a Web-based audit tracking and reporting application to its existing release-of-information system.

"The financial performance of a hospital can be negatively impacted by payer audits and subsequent denials, but the scope of healthcare provider audits extends beyond the current focus on RACs," said John Walton, vice president of sales and marketing at MRO. He believes the RAC audits are just the beginning of similar appraisals to come from other venues.

It is critical for hospitals to review practices and processes and to make sure practitioners document correctly, Morris said.

"Let's make sure we try to do it the right way the first time," she said. "We actually pre-audit certain types of cases. We're working with medical staff to improve their documentation because that's key. You have to educate everybody. They need to understand what RAC is." ▪