



RAC Update

PROGRAM IMPROVEMENTS DELAYED UNTIL 2016

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Recovery Audit Contractor (RAC) reforms, included in the discussion draft legislation Title I of the Hospitals Improvements for Payment (HIP) Act of 2014, are being implemented as part of new contracts CMS is awarding to the program's audit contractors now referred to as recovery auditors (RAs). The originals were signed in 2008, and existing contracts are slated to expire in 2016.

The Centers for Medicare and Medicaid Services (CMS) had planned to award new contracts to companies that act as RAs for operation of the Medicare recovery audit program by the end of 2014. CMS announced recently that due to continued delays in awarding the new contracts, the existing contracts for the four private companies that act as Medicare's RAs would be extended through 2015 (*CGI Federal, Connolly, Health Data Insights and Performant Recovery*). Among the new contracts delayed, due to a post-award protest, was the contract awarded December 30, 2014, to Connolly, LLC, for DME and Home Health and Hospice providers. In addition, CMS modified the existing RA contracts to allow the existing Medicare RAs to restart certain reviews that had stopped in 2014 pursuant to the old contracts' terms.

These contract extensions and modifications granted by CMS further delay its efforts to improve for at least another year. Looking ahead to the next phase of the recovery audit program, below are key points of the program improvement changes that were published by CMS after evaluation of the many concerns raised about the existing program. The new requirements will be incorporated into all new RA contract awards, making them effective for any RA activities performed under new contracts entered into on or after December 30, 2014.

These "improvements" are presented as CMS's response to industry feedback. They are grouped into three categories,

reduced provider burden; enhanced oversight by CMS; and increased program transparency.

Reduced Provider Burden

- CMS-established ADR limits will be diversified across all claim types of a facility, e.g., inpatient, outpatient.
- CMS-established ADR limits will include instructions to incrementally apply the limits to new providers under review.
- RAs will have 30 days to complete complex reviews and notify a provider of their findings.
- RAs must wait 30 days to allow for a discussion request before sending the claim to the MAC for adjustment.
- RAs must confirm receipt of a provider's discussion request or other correspondence within three business days.
- RAs will not receive a contingency fee until after the second level of appeal is exhausted. Note: If claims are overturned on appeal, providers are paid interest calculated from the date of recoupment.

Enhancing CMS' Oversight

- CMS will require the RAs to broaden their review topics to include all claim and provider types, and will be required to review certain topics based on a referral, such as, an OIG report.
- RAs will be required to maintain an overturn rate of less than 10% at the first level of appeal on all applicable claims meeting criteria.
- RAs will be required to maintain an accuracy rate of at least 95%.

Increasing Program Transparency

- CMS established a Provider Relations Coordinator to offer more efficient resolutions to affected providers. This position gives providers a name and contact information when issues arise that cannot be solved by having discussions with the RA.
- CMS will require the RAs to provide consistent and more detailed review information concerning new issues to their Websites.

Even after the new contracts incorporating these improvements are effective and begin to have an impact, past practices and trends with the recovery audit program are a good indicator that certain areas will continue to receive special attention by the RAs. Providers should closely monitor sources that reveal those trends and continue to focus on their facilities' practices which have previously been considered high risk areas by the RAs.

To learn about the broader effort on comprehensive Medicare reform, addressing the problems associated with Medicare's two-midnight policy, short inpatient stays, outpatient observation stays, auditing and appeals, follow the link below. Title I of the HIP discussion draft includes detailed solutions to these problems; Title II includes 19 different policies introduced by various members of the Ways and Means Committee that pertain to hospital reform.

References

Top issue National Recovery Audit Program per region

[cms.gov/research-statistics-data-and-systems/monitoring-programs/medicare-ffs-compliance-programs/recovery-audit-program/downloads/medicare-ffs-recovery-audit-program-1st-qtr-2015_508-cleared-ajp.pdf](https://www.cms.gov/research-statistics-data-and-systems/monitoring-programs/medicare-ffs-compliance-programs/recovery-audit-program/downloads/medicare-ffs-recovery-audit-program-1st-qtr-2015_508-cleared-ajp.pdf)

CMS update RAC Improvement Program - Medicare Reform

[cms.gov/research-statistics-data-and-systems/monitoring-programs/medicare-ffs-compliance-programs/recovery-audit-program/recent_updates.html](https://www.cms.gov/research-statistics-data-and-systems/monitoring-programs/medicare-ffs-compliance-programs/recovery-audit-program/recent_updates.html)

House Ways and Means Committee - Medicare 2-Midnight

waysandmeans.house.gov/wp-content/uploads/2015/07/hip_discussion_draft-1.pdf

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