RECOVERY AUDIT CONTRACTOR UPDATE

Medicare Recovery Audit Contractors are private vendors that analyze data to identify potential Medicare payment and billing code errors within the byzantine Medicare payment system. In some cases, RACs review medical charts to assess the medical appropriateness of services. Using this process, RACs initiate recoupment of alleged overpayments to providers. RACs are paid on a contingency fee basis, receiving a share of the improper payments they identify.

RAC UPDATES

• Some hospitals accepted CMS’ 2014 settlement offer to resolve pending appeals of payment denials based on patient status determinations. Even so, the enormous backlog of pending appeals continues. Fifty-two percent of appeals await determination.

• There has been a temporary suspension of RACs’ authority to enforce the “two-midnight” rule through retrospective payment denials based on patient status determinations. It was extended through September 2015 by the newly-enacted SGR legislation. During the hiatus, Medicare Administrative Contractors are engaged in a more collaborative “probe and educate” process involving pre-payment assessment of short-stay patient status compliance. This process is a welcome change from the RACs’ retrospective, contingency-fee based approach.

• The RACs continue to erroneously deny payments to hospitals.
  - For the regional RAC serving Missouri, 72 percent of completed appeals were overturned.
  - Hospitals continue to add overhead expenses to administer the processing of RAC denials and appeals.
  - Inpatient coding reviews are now the focus of RAC audits, having nearly tripled since the third quarter of 2014.
  - Short stay reviews declined from 59 percent of the total in the first quarter of 2014 to 11 percent in the third quarter of 2014.

Missouri hospitals recognize the importance of program integrity initiatives. Legislation such as the PRIME Act of 2015 (H.R. 818 and S. 861) includes components that focus on prospective prevention of flawed payments rather than retrospective “pay and chase” tactics by government regulators. This is a welcome change in approach. However, the PRIME Act also establishes bonus programs to reduce improper payments. Such bounty hunter programs only will add to the already clogged appeal process.

MHA applauds the leadership of Senator Roy Blunt and Congressman Sam Graves, who were lead sponsors of comprehensive RAC reform legislation in the 113th Congress. MHA also applauds other members of the Missouri congressional delegation who cosponsored the previous bills — Representatives Long, Wagner, Clay, Cleaver, Hartzler, Luetkemeyer and Smith.

The Missouri Hospital Association encourages congressional action to promote and advance comprehensive RAC reform legislation. The current RAC program is flawed and inefficient and the process of appealing its payment denials has become an administrative quagmire.