

# Medicare Recovery Audit Contractors (RACs) Program

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# Agenda

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Context – Medicare Improper Payments

History – 3 Year Demonstration Results

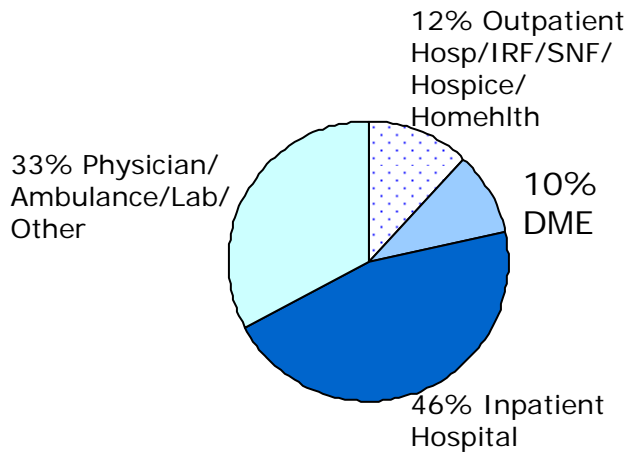
Future – Permanent Program Rollout

# Context – Medicare Improper Payments

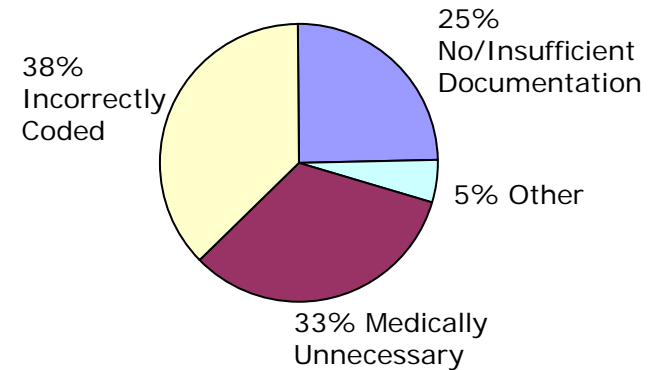
## Improper Payments, 2007

In 2007, Medicare's error rate was 3.9%, equaling \$10.8 billion in improper payments

Medicare Improper Payments by Provider Type



Medicare Improper Payments by Error Type



# Context – Medicare Improper Payments

## Medicare Tools to Reduce Improper Payments

- Data analysis
- Prepayment claim review
  - New edits (automated review)
  - Medical record review (complex review)
- Postpayment claim review
- New/clarified national policies
- Provider education

# Context - CMS Claims Review Entities

## Roles of Various Medicare Improper Payment Review Entities

	Types of Claims	How selected	Volume of Claims	Purpose of Review
QIO	<b>Inpatient Hospitals</b>	All claims where hospital submits an adjusted claim for a higher-weighted DRG  Expedited Coverage Reviews requested by beneficiaries	<b>Very small</b>	To prevent improper payments through DRG upcoding  To resolve discharge disputes between beneficiary and hospital
CERT	<b>All</b>	<b>Randomly</b>	<b>Small</b>	To <b>measure</b> improper payments
MAC	<b>All</b>	<b>Targeted</b>	Depends on number of claims with improper payments for this provider	To <b>prevent future</b> improper payments
RAC	<b>All</b>	<b>Targeted</b>	Depends on number of claims with improper payments for this provider	To <b>detect and correct past</b> improper payments
PSC	<b>All</b>	<b>Targeted</b>	Depends on number of potentially fraudulent claims submitted by provider	To identify <b>potential fraud</b>
OIG	<b>All</b>	<b>Targeted</b>	Depends on number of potentially fraudulent claims submitted by provider	To identify <b>fraud</b>

# Context – Medicare Improper Payments

## Where do RACs fit in?

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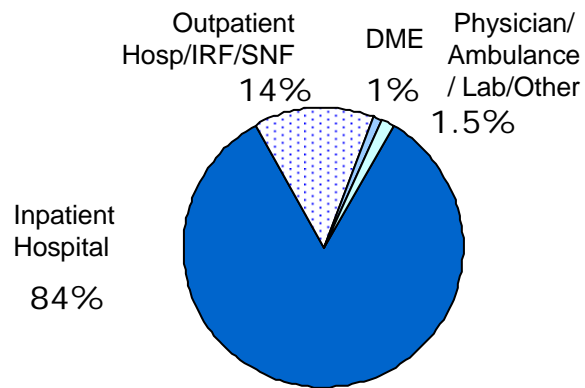
- RACs use traditional Medicare Tools:
  - Data Analysis
  - Postpayment claim review
  - Recoveries
  
- But there are key differences from traditional contractors:
  - Reimbursement
  - Transparency
  - Oversight

# History – Demonstration Results

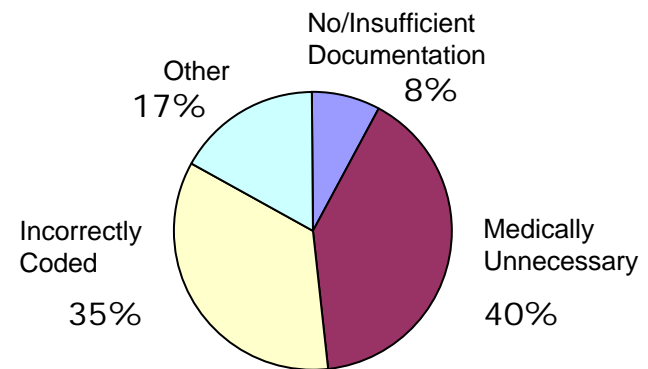
## Total RAC Collections for 3 years

RACs collected \$980 million, March 2005 – March 2008

**Overpayments Collected by Provider Type**



**Overpayments Collected by Error Type**



# History – Demonstration Results

## Claim RACs Appeals Data

### Provider Appeals of RAC-Initiated Overpayments Cumulative through 6/30/08 – Claim RACs Only

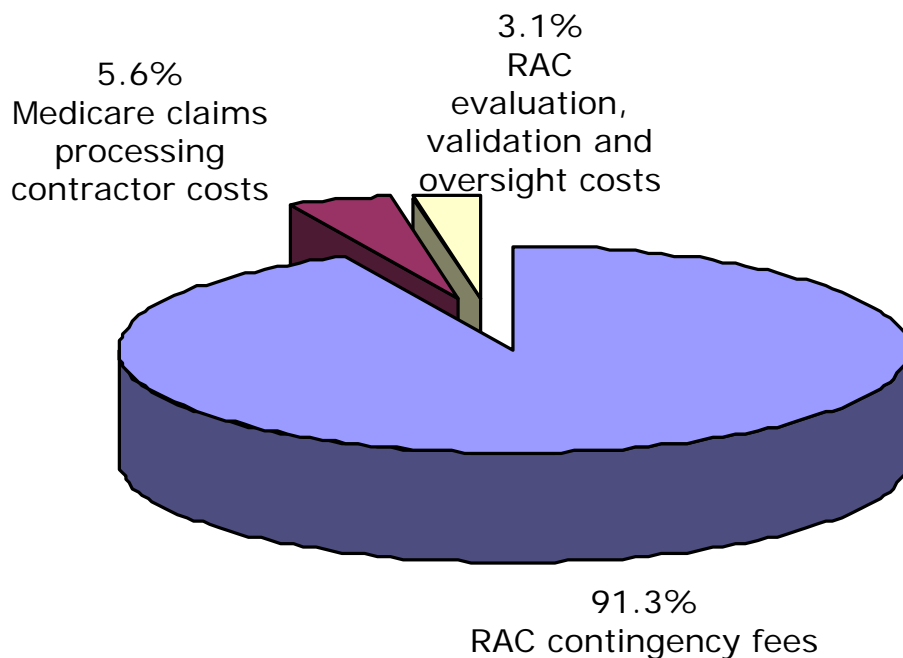
	Number of Claims with Overpayment Collections	Claims Appealed By Provider to Any Level		Appealed Claims with Decision in Provider's Favor		Percentage of Overpayment Determinations Overturned on Appeal
		Number	Percent	Number	Percent	
<b>All Claim RACs</b>	525,133	102,705	<b>19.6%</b>	35,819	<b>34.9%</b>	<b>6.8%</b>

Source: RAC Data Warehouse and data reported by Medicare claims processing contractors. Includes both completed appeals and some currently pending in the appeals process. These statistics are based on appeals that were known to the Medicare claims processing contractors on or before 6/30/08. Any QIC or ALJ appeals reported to the Medicare claims processing contractors after that date are not included in these statistics.

# History – Demonstration Results

## Program Costs to Date

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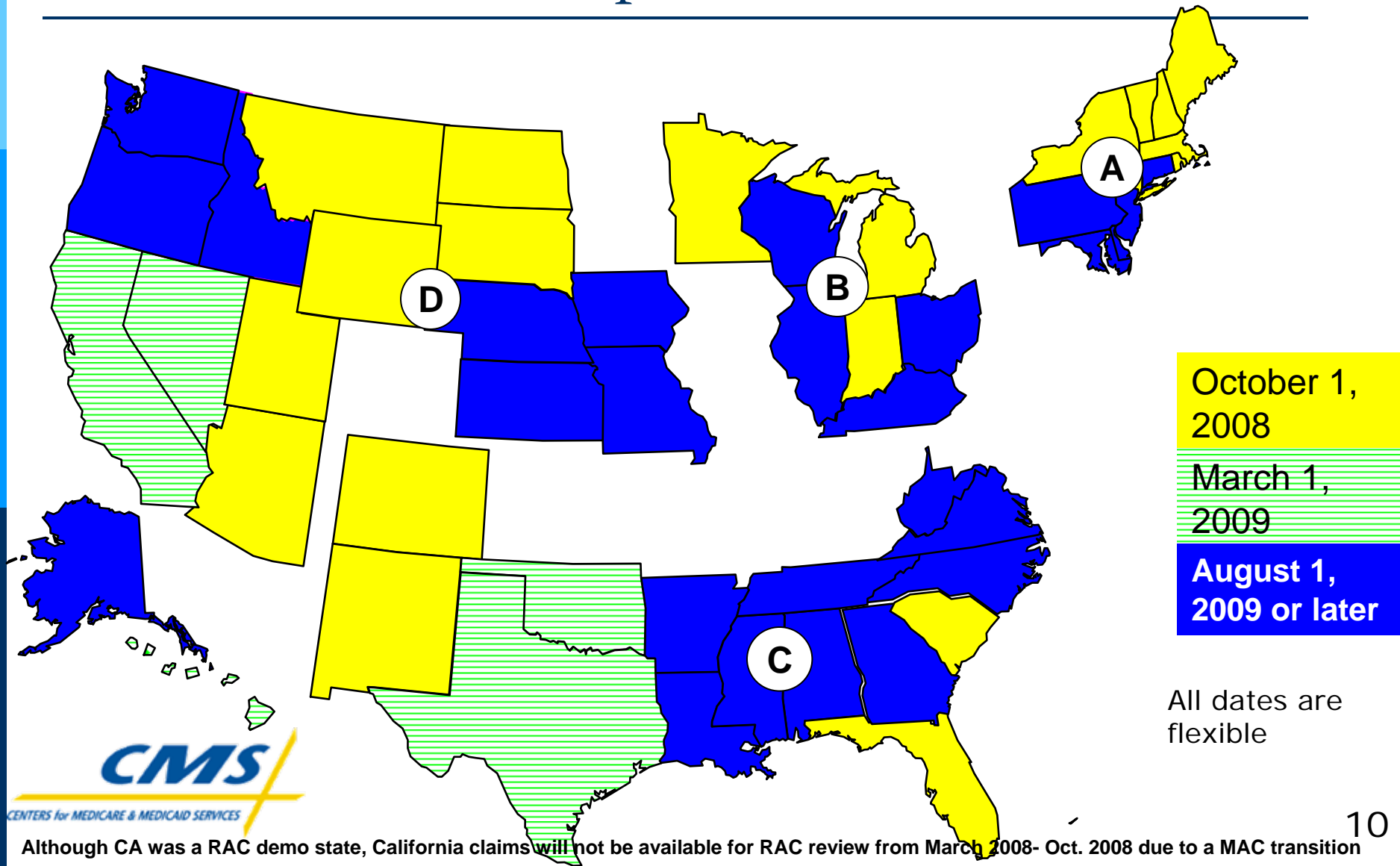


Total Costs to Run RAC Demonstration = \$205.1m

March 2005 – July 2008

# Future – Program Expansion

## National Expansion Schedule



Although CA was a RAC demo state, California claims will not be available for RAC review from March 2008- Oct. 2008 due to a MAC transition

# Future – Program Expansion

## Lessons Learned

	Demonstration RACs	Permanent RACs
Look back period (from claim pmt date – date of medical record request)	4 years	3 years
Maximum look back date	None	10/1/2007
Allowed to review claims in current fiscal year?	No	Yes
RAC medical director	Not Required	Mandatory
Coding experts	Optional	Mandatory
Discussion with RAC medical director regarding claim denials if requested	Not Required	Mandatory
Credentials of reviewers provided upon request	Not Required	Mandatory
Vulnerability reporting	Limited	Mandatory
RAC must payback the contingency fee if the claim overturned at...	... <b>first</b> level of appeals	... <b>all</b> levels of Appeal
Web-based application that allows providers to customize address & contact	None	Mandatory by Jan. 1, 2010
External validation process	Not Required	Mandatory

# Future – Program Expansion

## Enhanced Transparency and Oversight

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- New Issue Review
- Web-based Claim Status Lookup
- Vulnerability Reporting

# Questions?

