RECOVERY AUDIT CONTRACTOR UPDATE

Medicare Recovery Audit Contractors are private vendors who 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

- More than 1,900 hospitals accepted the Centers for Medicare & Medicaid Services’ 2014 settlement offer to resolve pending appeals of payment denials based on patient status determinations. CMS paid approximately $1.3 billion to settle 300,000 claims. Even so, the enormous backlog of pending appeals continues.
- RAC authority to enforce the “two-midnight” rule through retrospective payment denials based on patient status determinations has been suspended and assigned to Quality Improvement Organizations. RACs only may conduct patient status reviews if the QIO refers a provider who is exhibiting persistent noncompliance.
- CMS announced sweeping changes to the RAC program on February 18, 2014. Many of these changes would be welcome. However, the changes do not take effect until the next round of RAC contracts are awarded. CMS has yet to enter into new agreements and announced on July 10, 2015, and the agency has withdrawn its requests for quotes for the next round of RAC contracts. Therefore, many of the changes announced by CMS in 2014 have not taken place and have limited prospects for doing so in the near future.
- RACs continue to erroneously deny payments to hospitals.
  - For the regional RAC serving Missouri, 63 percent of completed appeals were overturned.
  - Hospitals continue to add overhead expenses to administer the processing of RAC denials and appeals.
  - Short-stay reviews declined from 59 percent of the total in the first quarter of 2014 to 1 percent in the first quarter of 2015.

Missouri hospitals recognize the importance of program integrity initiatives. Legislation such as the PRIME Act of 2015 (H.R. 818/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 for Medicare Administrative Contractors to reduce improper payment error rates and does little to reform the current RAC program. Senator Claire McCaskill is a cosponsor of S. 861.

MHA applauds the leadership of Congressman Sam Graves, who is the lead sponsors of the Medicare Audit Improvement Act of 2015 (H.R. 2156). MHA also applauds other members of the Missouri congressional delegation who have co-sponsored the bill — Representatives Billy Long, Blaine Luetkemeyer, Ann Wagner and Vicky Hartzler. Senator Roy Blunt plans to be a lead sponsor of RAC reform legislation in the U.S. Senate.

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